

ANTI-CAR THEFT AND CONTENT LABELING

HEARING
BEFORE THE
SUBCOMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND
COMPETITIVENESS
OF THE
COMMITTEE ON
ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED SECOND CONGRESS
SECOND SESSION
ON

H.R. 4220, H.R. 4228, H.R. 4230 and H.R. 4542

BILLS TO REQUIRE MANUFACTURERS AND IMPORTERS OF MOTOR VEHICLES TO LABEL VEHICLES AS TO PLACE OF FINAL PRODUCTION, DOMESTIC CONTENT, AND TO DETER AUTO THEFT

SEPTEMBER 10, 1992

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ANTI-CAR THEFT AND CONTENT LABELING

THURSDAY, SEPTEMBER 10, 1992

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON COMMERCE, CONSUMER PROTECTION,
AND COMPETITIVENESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:20 a.m., in room 2322, Rayburn House Office Building, Hon. Cardiss Collins (chairwoman) presiding.

Mrs. COLLINS. Good morning. This hearing of the Subcommittee on Commerce, Consumer Protection, and Competitiveness will come to order. I welcome everyone to this morning's hearing on legislation having to do with two issues involving the automobile industry: the marking of parts as a deterrent to auto theft and the labeling of vehicles so that consumers can identify their domestic content. H.R. 4542 [originally referred to the Committee on the Judiciary and Ways and Means], the Anti Car Theft Act of 1992, was referred to the committee only until next week, September the 19th. It has already been reported by the Committee on the Judiciary.

In 1990, losses due to car theft are estimated to have been \$8 billion. Not just those who lost their vehicles, but every insured driver pays for these huge losses in the form of higher insurance premiums.

Car theft has truly reached epidemic proportions in our country. Almost 50,000 vehicles were stolen in the City of Chicago alone in 1990. Nearly 150,000 vehicles were stolen in New York City in that same year.

But as we have all been made very aware of a human tragedy that the new wave of carjackings can cause. In Maryland, a young woman, a young mother in fact, was dragged to her death by a carjacker and her infant child was thrown from the car. I applaud Congressman Schumer for his legislation which makes carjacking a Federal offense, and I am proud to be a co-sponsor of that legislation.

Title III of Mr. Schumer's bill would repeal title VI of the Motor Vehicle Information and Cost Saving Act which was initiated by this committee in 1984. The current law requires automobile manufacturers to mark the major parts of automobiles determined to be in a high-theft category.

The new provisions in H.R. 4542 would significantly expand this requirement by requiring that major parts be marked for all automobiles, light trucks, passenger vans and multipurpose vehicles. In

addition, it would require sellers and installers of these parts to verify with a national database to be established by the bill whether the parts they are selling or installing were stolen. The issue before us is whether these expanded requirements will be cost-effective in curtailing automobile theft.

We will also hear testimony on other bills that would require new cars sold in the United States to carry a label identifying their domestic content. Our colleague, Mr. Sharp, is the author of H.R. 4220, the Automobile Content Information Disclosure Act. Another of our colleagues, Mr. Mfume, has introduced H.R. 4228, the American Automobile Labeling Act, which is very similar to a Senate passed amendment to the transportation appropriations legislation that is now in conference.

Although these bills have the same purpose, there are some technical differences. On the one hand, H.R. 4220 would require manufacturers to calculate an average minimum and maximum domestic content for each model line produced using the same methodology required by the current fuel economy law.

On the other, H.R. 4228 would require that manufacturers calculate domestic content for each individual car produced using a new methodology which is yet to be developed. Under this methodology, only the value of manufacturing work added in the United States would be counted.

It is my hope that this hearing will lay the basis for resolving some of these issues. And I thank all of our witnesses for their participation in today's hearing.

Mr. McMillan.

Mr. McMILLAN. Thank you, Madam Chairwoman, and I also thank the witnesses for their attention to this important matter. We are here to discuss the importance to both the automobile industry and consumers of automobile products, how to stem the tide of auto thefts which are plaguing our citizens, plaguing producers, and insurers and resulting in higher prices and greater inconvenience, and also the issue of domestic content in automobiles sold in the United States and whether such information should be displayed on a vehicle sticker and whether it would serve any useful purpose.

The thefts of automobiles have been on a steady increase during the last few years. According to advocates for highway safety, auto thefts in the United States increased by 38 percent between 1986 and 1991. In fact, as reflected in the recently released 1991 uniform crime report figures, in North Carolina alone the rate increased by 7.5 percent over the 1990 rate.

There is a simple explanation as to why this problem has become so pervasive in America: Auto theft is profitable and easy and as profitable as it is for the thieves who steal the cars, it is just that much more costly for the consumers who ultimately find themselves paying higher insurance rates and suffering tremendous personal expense and inconvenience as a result of this tragic situation.

Clearly this phenomenon is a problem. The question we must ask ourselves, however, is whether or not the legislation before us is the answer. The National Highway Safety Administration has issued seemingly conflicting reports over the past several years

which bring the effectiveness of the parts-marking program into question.

The latest study issued in April of this year seems to say that there is no empirical support for the effectiveness of parts marking but that we should embark on the program anyway. Well, it is going to cost Federal Government some \$60 million to do that and the consumer and the producers a lot more, so I think we have to ask the question, is it likely to be effective.

Likewise, I am concerned about the costs that may be inflicted on the small business owner who may be required to make a substantial investment in equipment, computer equipment, to provide the means of tracking auto body parts and putting him in the position to conform with the requirements of this bill.

Of even greater concern to me is the money authorized overall. According to CBO estimates included in the report, this bill authorizes \$51 million over 3 years, while only providing for, at the most, an additional \$500,000 in revenues from increased criminal penalties, while the parts-marking section accounts for only \$11 million of this.

This is still a sizable authorization for a program which we are not even sure will be effective. All too often we fail to realize that when we authorize these programs, the Appropriations Committee is put in the position of funding this program over some other law enforcement program or not funding it at all. So we need to remember that new programs must compete with all of the other programs for which funds need to be appropriated.

The net result is that nothing is funded at the level it should be and the authorizing committees pass the buck and say it is not my fault. If we are ever going to get control of the deficit, this must end or if we are going to have effective programs, we need to address these issues at the outset.

With respect to the content labeling proposals before the committee today, the question is not so much which of these alternatives we might choose, but whether content labeling as a concept achieves the desired purpose. I welcome any opportunity to provide the consumer with more information about the products that they purchase as long as that information is accurate and does not place an undue burden upon the producers that adds to the cost of the product unnecessarily.

These are still outstanding questions about that issue that need to be addressed before we can move forward with this legislation. So I look forward to hearing from our witnesses today and thank you again, the chairwoman, for holding hearings on this important matter.

Mrs. COLLINS. Mr. Upton.

Mr. UPTON. Thank you, Madam Chairwoman, and I appreciate your efforts for arranging this hearing today along with my colleague, Mr. McMillan. As a graduate of the University of Michigan, when you say that Michigan is in the top ten, that is, usually that brings me great pleasure. However, I am not so excited that Michigan is usually categorized in the top ten with regards to auto theft.

Michigan police have been performing yeoman service in the fight against auto theft, yet we as a State have been a leader in the trend setting anti auto theft program which coordinates all avail-

able resources to help tackle the problem. But we are battling against incredible odds. Just last weekend one of my staffers had a car stolen right in front of her apartment and I am sure you are as sickened as I am with the recent story about the mother in Savage, Md., in the last couple of days.

Chairwoman Collins, we must take steps to strongly discourage auto theft and that is why I am generally in strong support of H.R. 4542. However, Michigan has one of the Nation's highest unemployment rates and we know, that in an ailing economy, the auto industry really suffers. To make matters worse, the Federal Government has a habit of enacting, quote, "feel good" legislation that ends up costing businesses money without really doing what it was intended to do.

Many of my constituents in southwest Michigan work in the auto industry. For instance, GM's Fisher body plant is in Kalamazoo, which is in my district, employs 2,400 people, and although they are just as concerned about protecting their cars, which they purchase with their hard-earned money, they don't want Congress to pass regulations which do nothing except increase the cost of making those automobiles. These auto workers know all too well that raising the cost of producing cars leads to more layoffs, and believe me, we have had more than our fair share in our State. That is why I have serious questions about title III of the bill, the part of the bill which deals with parts marking.

The Department of Transportation [DOT] has analyzed parts marking and has stated that there is no conclusive evidence that parts marking has helped reduced auto theft. In fact the DOT study found no significant difference between the theft rates in marked cars versus unmarked cars, and therefore I am somewhat confused and alarmed as to why we would then be proposing a vast expansion of the parts-marking program, especially when it will cost the auto industry an estimated \$225 million each year.

Madam Chairwoman, I believe that our committee's short referral has caused us to rush through the process of analysis. I am told there won't even be a subcommittee markup of the bill and that is why I believe that it is especially critical today that we take the opportunity to question our witnesses to make sure of the effectiveness of parts marking before we hastily impose the cost on U.S. automakers.

In conclusion I want to express my strong support for titles I, II and IV for law enforcement as provided in those titles. Michigan will be better able to go after auto thieves, however I am also trying to protect the auto worker from potentially ill-conceived Federal regulations. I look forward to hearing from the witnesses and I yield back the balance of my time.

[Testimony resumes on p. 60.]

[The text of H.R. 4220, H.R. 4228, H.R. 4230, and H.R. 4542 follow:]

102^D CONGRESS
2^D SESSION

H. R. 4220

To require manufacturers of passenger cars, light trucks, and sport utility vehicles to display on such cars, trucks, and vehicles sold in the United States a statement of estimated range of domestic content in such cars, trucks, and vehicles and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 1992

Mr. SHARP introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To require manufacturers of passenger cars, light trucks, and sport utility vehicles to display on such cars, trucks, and vehicles sold in the United States a statement of estimated range of domestic content in such cars, trucks, and vehicles and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Automobile Content
5 Information Disclosure Act”.

6 **SEC. 2. FINDINGS.**

7 The Congress makes the following findings:

1 (1) Within the United States, the automotive
2 and auto parts industries account for substantial
3 levels of employment, often in “higher-value” occu-
4 pations; are responsible for significant and beneficial
5 expenditures in other allied industries, and for re-
6 search and development; and because of their size
7 and scope are therefore nationally important indus-
8 tries.

9 (2) The automotive and auto parts industries
10 are typically global in nature. New modes of auto-
11 motive production have generally resulted in higher
12 quality, more efficient, and safer cars for consumers.
13 These same modes of production, however, have
14 made it difficult for consumers to determine the por-
15 tion of a new motor vehicle that is manufactured lo-
16 cally.

17 (3) The United States has a significant and
18 persistent automobile and auto parts trade deficit
19 with other nations, principally Japan. United States
20 sales of models of motor vehicles bearing nameplates
21 of auto manufacturers which are foreign owned or
22 controlled have increased significantly in recent
23 years, which has decreased the United States market
24 shares of traditional domestic auto and auto parts
25 manufacturers. As a consequence, employment and

1 profitability have been affected in the traditional do-
2 mestic auto and auto parts industries. These factors
3 have spurred an interest by the general public in de-
4 siring to know the local content of motor vehicles
5 prior to making a decision to purchase.

6 (4) United States consumers of new auto-
7 mobiles, light trucks, and sports utility vehicles
8 could be informed of a manufacturer's estimated av-
9 erage local content in various model lines of such ve-
10 hicles sold in the United States by requiring the dis-
11 play of such information on the dealer's sticker.

12 **SEC. 3. CONTENT LABEL.**

13 (a) **IN GENERAL.**—In accordance with regulations of
14 the Secretary of Transportation, each manufacturer shall
15 cause to be affixed, and each dealer shall cause to be main-
16 tained, on each passenger motor vehicle, light truck, or
17 sport utility vehicle offered for sale in the United States
18 a label specifying—

19 (1) the estimate of the manufacturer of the av-
20 erage range of the minimum and maximum compo-
21 nents of each model line of such passenger motor ve-
22 hicle, light truck, or vehicle which are produced in
23 the United States (referred to in this section as “do-
24 mestically produced”), and

1 (2) the location of the final assembly of such
2 passenger motor vehicle, light truck, or vehicle.

3 The average range of components required by paragraph
4 (1) shall be expressed as a percentages of overall value
5 of all such components usually found in the model line
6 for which the average range is stated.

7 (b) PROCEDURE.—An estimate shall be made under
8 subsection (a)—

9 (1) in accordance with the requirements pub-
10 lished in section 600.511–80 of 40 Code of Federal
11 Regulations, except that components produced in
12 Canada shall be considered as domestically pro-
13 duced, and

14 (2) after the final assembly of the vehicle or
15 truck for which the estimate is made.

16 (c) DEFINITIONS.—The definitions in section 2 of the
17 Motor Vehicle Information and Cost Savings Act (15
18 U.S.C. 1901) shall apply with respect to terms used in
19 this Act.

20 **SEC. 4. ENFORCEMENT.**

21 (a) IN GENERAL.—A violation of section 3 shall be
22 treated as a violation of section 3 of the Automobile Infor-
23 mation Disclosure Act (15 U.S.C. 1232) and for purposes
24 of the Federal Trade Commission Act a violation of sec-

1 tion 3 shall be treated as an unfair or deceptive act or
2 practice in or affecting commerce.

3 (b) AUDITS.—In the regulations issued under section
4 3 the Secretary of Transportation shall include a provision
5 authorizing random and periodic audits of manufacturers
6 who provide the label authorized by such section.

7 **SEC. 5. EFFECTIVE DATE.**

8 The Secretary of Transportation shall issue proposed
9 regulations under section 3 within 60 days of the date of
10 the enactment of this Act. Within 90 days of the publica-
11 tion of such proposed regulations, the Secretary shall issue
12 final regulations. If the Secretary does not issue final reg-
13 ulations upon the expiration of such 90 days, the pub-
14 lished proposed regulations shall be considered as the final
15 regulations upon the expiration of such 90 days. There
16 shall be promptly published in the Federal Register notice
17 of the new status of the proposed regulations.

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102D CONGRESS
2D SESSION

H. R. 4228

To make available to consumers certain information regarding automobiles.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 1992

Mr. MFUME (for himself, Mrs. BENTLEY, Mrs. BYRON, and Mr. CARDIN) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To make available to consumers certain information
regarding automobiles.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "American Automobile
5 Labeling Act".

6 **SEC. 2. DISCLOSURE.**

7 (a) **LABEL REQUIREMENT.**—(1) Each manufacturer
8 of a new automobile distributed in commerce for sale in
9 the United States shall cause to be affixed, and each deal-
10 er shall cause to be maintained, on each such automobile

1 manufactured in any model year after model year 1992,
2 in a prominent place, a label—

3 (A) indicating the percentage (by value) of
4 automobile equipment on such automobile which
5 originated in the United States;

6 (B) indicating the percentage (by man-hour) of
7 labor on such automobile performed by workers in
8 the United States in assembling such automobile;
9 and

10 (C) indicating the name of any country, other
11 than the United States, where at least one-third of
12 the automobile equipment (by value) in such auto-
13 mobile originated.

14 (2) Percentages required by this Act may be rounded
15 to the nearest 10 percent.

16 (b) FORM AND CONTENT OF LABEL.—The form and
17 content of the label required under subsection (a), and the
18 manner in which such label shall be affixed, shall be pre-
19 scribed by the Secretary by rule. The Secretary may per-
20 mit a manufacturer to comply with this Act by permitting
21 such manufacturer to disclose the information required
22 under this Act on the label required by section 3 of the
23 Automobile Information Disclosure Act (15 U.S.C. 1232).

1 (c) REGULATIONS.—The Secretary shall promulgate
2 such regulations as may be necessary to carry out this
3 Act.

4 **SEC. 3. VIOLATIONS AND PENALTIES.**

5 Any manufacturer of automobiles distributed in com-
6 merce for sale in the United States who willfully fails to
7 affix to any new automobile so manufactured or imported
8 by him for sale in the United States the label required
9 by this Act, or any dealer who fails to maintain such label
10 as required by this Act, shall be fined not more than
11 \$1,000. Such failure with respect to each automobile shall
12 constitute a separate offense.

13 **SEC. 4. DEFINITIONS.**

14 For purposes of this Act—

15 (1) The term “manufacturer” means any per-
16 son engaged in the manufacturing or assembling of
17 new automobiles, including any person importing
18 new automobiles for resale and any person who acts
19 for and is under the control of such manufacturer,
20 assembler, or importer in connection with the dis-
21 tribution of new automobiles.

22 (2) The term “person” means an individual,
23 partnership, corporation, business trust, or any or-
24 ganized group of persons.

1 (3) The term “automobile” includes any pas-
2 senger car, passenger van, or any other vehicle with
3 respect to which the labeling requirements of section
4 3 of the Automobile Information Disclosure Act (15
5 U.S.C. 1232) apply.

6 (4) The term “automobile equipment” means
7 any system, part, or component of an automobile in-
8 stalled on or attached to such automobile at the time
9 of its initial shipment by the manufacturer to a deal-
10 er for sale to an ultimate purchaser.

11 (5) The term “new automobile” means an auto-
12 mobile the equitable or legal title to which has never
13 been transferred by a manufacturer, distributor, or
14 dealer to an ultimate purchaser.

15 (6) The term “dealer” means any person or
16 resident located in the United States, including any
17 territory of the United States, or the District of Co-
18 lumbia, engaged in the sale or the distribution of
19 new automobiles to the ultimate purchaser.

20 (7) The term “commerce” means commerce be-
21 tween any place in a State and any place in another
22 State, or between places in the same State through
23 another State.

24 (8) The term “Secretary” means the Secretary
25 of Transportation.

1 (9) The term "State" includes each of the sev-
2 eral States, the District of Columbia, the Common-
3 wealth of Puerto Rico, Guam, the Virgin Islands, the
4 Canal Zone and American Samoa.

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102^D CONGRESS
2^D SESSION

H. R. 4230

To amend the National Traffic and Motor Vehicle Safety Act of 1966 to require manufacturers and importers of motor vehicles to label vehicles as to the place of final production and the value of parts produced in the United States.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 1992

Mr. WELDON introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To amend the National Traffic and Motor Vehicle Safety Act of 1966 to require manufacturers and importers of motor vehicles to label vehicles as to the place of final production and the value of parts produced in the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Automotive Buyers
5 Right to Know Act of 1992”.

1 **SEC. 2. LABELING.**

2 Title I of the National Traffic and Motor Vehicle
3 Safety Act of 1966 is amended by adding at the end the
4 following:

5 "PART C—LABELING

6 "LABELING

7 "SEC. 165. No manufacturer may manufacture for
8 sale, sell, or introduce or deliver for introduction in inter-
9 state commerce or import into the United States any
10 motor vehicle unless the vehicle has, in accordance with
11 regulations of the Secretary, prominently displayed a label
12 indicating—

13 "(1) the location of the place at which the
14 motor vehicle was produced in the form made avail-
15 able for its sale to consumers, and

16 "(2) the value (stated as a percentage of the
17 total value of the motor vehicle) of the parts of the
18 motor vehicle produced in the United States.

19 "ENFORCEMENT

20 "SEC. 166. A violation of the requirements of section
21 165 shall be considered a violation of section 108 enforce-
22 able through sections 109 and 110.

23 "REGULATIONS

24 "SEC. 167. The Secretary shall issue proposed regu-
25 lations under section 165 not later than 90 days after the
26 date of the enactment of this section. The Secretary shall

1 issue final regulations under such section not later than
2 90 days after the date of the publication of the proposed
3 regulations. If the Secretary does not issue final regula-
4 tions upon the expiration of such 90 days, the proposed
5 regulations shall be considered the final regulations. There
6 shall be published in the Federal Register a statement as
7 to the new status of the proposed regulations.”.

O

102D CONGRESS
2D SESSION

H. R. 4542

To prevent and deter auto theft.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1992

Mr. SCHUMER (for himself and Mr. SENSENBRENNER) introduced the following bill; which was referred jointly to the Committees on the Judiciary and Ways and Means

MAY 20, 1992

Additional sponsors: Mr. ATKINS, Mr. BEILENSEN, Mr. BERMAN, Mr. DEFazio, Mr. GREEN of New York, Mr. HORTON, Mr. LAFALCE, Mr. MARTINEZ, Mr. MAZZOLI, Mr. MOORHEAD, Mr. ROE, Mr. SCHIFF, Mr. TOWNS, Mr. HYDE, Mr. PERKINS, Mr. WASHINGTON, Mr. BRYANT, Mr. FASCELL, Mr. SOLARZ, Mr. NOWAK, Mr. RAMSTAD, Mr. LEVINE of California, Mr. OWENS of New York, Mrs. BOXER, Mr. MCNULTY, Mr. LOWERY of California, Mr. GEKAS, Ms. MOLINARI, Mr. HOAGLAND, Mr. SERRANO, Mr. JOHNSON of South Dakota, and Mr. FEIGHAN

A BILL

To prevent and deter auto theft.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Anti-Car Theft Act
5 of 1992".

1 **TITLE I—TOUGHER LAW EN-**
2 **FORCEMENT AGAINST AUTO**
3 **THEFT**

4 **Subtitle A—Enhanced Penalties for**
5 **Auto Theft**

6 **SEC. 101. FEDERAL PENALTIES FOR ROBBERIES OF AUTOS.**

7 (a) **IN GENERAL.**—Chapter 103 of title 18, United
8 States Code, is amended by adding at the end the fol-
9 lowing:

10 **“§ 2119. Motor Vehicles**

11 “Whoever, by force and violence, or by intimidation,
12 takes a motor vehicle from the person or presence of an-
13 other, or attempts to do so, shall be fined under this title
14 or imprisoned not more than 20 years, or both.”.

15 (b) **CLERICAL AMENDMENT.**—The table of sections
16 at the beginning of chapter 103 of title 18, United States
17 Code, is amended by adding at the end the following new
18 item:

“2119. Motor Vehicles.”.

19 **SEC. 102. IMPORTATION AND EXPORTATION.**

20 Section 553(a) of title 18, United States Code, is
21 amended by striking “fined not more than \$15,000 or im-
22 prisoned not more than five years” and inserting “fined
23 under this title or imprisoned not more than 20 years”.

1 **SEC. 103. TRAFFICKING IN STOLEN VEHICLES.**

2 Each of sections 2312 and 2313(a) of title 18, United
3 States Code, are amended by striking “fined not more
4 than \$5,000 or imprisoned not more than five years” and
5 inserting “fined under this title or imprisoned not more
6 than 10 years”.

7 **SEC. 104. RICO PREDICATES.**

8 Section 1961(1)(B) of title 18, United States Code,
9 is amended by inserting “section 511 (relating to altering
10 or removing motor vehicle identification numbers), section
11 553 (relating to the export or import of stolen motor vehi-
12 cles)” after “473 (relating to counterfeiting)”.

13 **Subtitle B—Targeted Law**
14 **Enforcement**

15 **SEC. 111. GRANT AUTHORIZATION.**

16 The Director of the Bureau of Justice Assistance
17 shall make grants to Anti-Car Theft Committees submit-
18 ting applications in compliance with the requirements of
19 this subtitle.

20 **SEC. 112. APPLICATION.**

21 (a) SUBMISSION.—To be eligible to receive a grant
22 under this subtitle, a chief executive of an Anti-Car Theft
23 Committee shall submit an application to the Director.

24 (b) CONTENT.—Such application shall include the
25 following:

1 (1) A statement that the applicant Anti-Car
2 Theft Committee is either a State agency, an agency
3 of a unit of local government, or a nonprofit entity
4 organized pursuant to specific authorizing legislation
5 by a State or a unit of local government;

6 (2) A statement that the applicant Anti-Car
7 Theft Committee is or will be financed in part by a
8 tax or fee on motor vehicles registered by the State
9 or possessed within the State, and that such tax or
10 fee is not less than \$1 per vehicle.

11 (3) A statement that the resources of the appli-
12 cant Anti-Car Theft Committee will be devoted en-
13 tirely to combating motor vehicle theft, including
14 any or all of the following:

15 (A) Financing law enforcement officers or
16 investigators whose duties are entirely or pri-
17 marily related to investigating cases of motor
18 vehicle theft or of trafficking in stolen motor
19 vehicles or motor vehicle parts.

20 (B) Financing prosecutors whose duties
21 are entirely or primarily related to prosecuting
22 cases of motor vehicle theft or of trafficking in
23 stolen motor vehicles or motor vehicle parts.

24 (C) Motor vehicle theft prevention pro-
25 grams.

1 (4) A description of the budget for the appli-
2 cant Anti-Car Theft Committee for the fiscal year
3 for which a grant is sought.

4 **SEC. 113. AWARD OF GRANTS.**

5 (a) **IN GENERAL.**—The Director shall allocate to
6 each State a proportion of the total funds available under
7 this subtitle that is equal to the proportion of the number
8 of motor vehicles registered in such State to the total num-
9 ber of motor vehicles registered in the United States.

10 (b) **GRANT AMOUNTS.**—If one Anti-Car Theft Com-
11 mittee within a State submits an application in compliance
12 with section 112, the Director shall award to such Anti-
13 Car Theft Committee a grant equal to the total amount
14 of funds allocated to such State under this section. In no
15 case shall the Anti-Car Theft Committee receive a grant
16 that is more than 50 percent of the preaward budget for
17 such Anti-Car Theft Committee.

18 (c) **MULTIPLE COMMITTEES.**—If two or more Anti-
19 Car Theft Committees within a State submit applications
20 in compliance with section 112, the Director shall award
21 to such Anti-Car Theft Committees grants that in sum
22 are equal to the total amount of funds allocated to such
23 State under this section. In no case shall an Anti-Car
24 Theft Committee receive a grant that is more than 50 per-
25 cent of the preaward budget for such Anti-Car Theft Com-

1 “(1) The term ‘certificate of title’ means a doc-
2 ument issued by a State evidencing ownership of a
3 motor vehicle.

4 “(2) The term ‘insurance carrier’ means an in-
5 dividual, corporation, or other entity which is en-
6 gaged in the business of underwriting motor vehicle
7 theft insurance.

8 “(3) The term ‘junk vehicle’ means any vehicle
9 which is incapable of operation on roads or highways
10 and which has no value except as a source of parts
11 or scrap. The term ‘junk vehicle’ includes any vehi-
12 cle component part which bears a vehicle identifica-
13 tion number.

14 “(4) The term ‘junk yard’ means any individ-
15 ual, corporation, or other entity which is engaged in
16 the business of acquiring junk vehicles for resale, ei-
17 ther in their entirety or as spare parts, or for re-
18 building or restoration, or for crushing.

19 “(5) The term ‘operator’ means the person or
20 entity designated as the operator in any contract or
21 agreement executed pursuant to section 121(b)(2) or
22 if no such contract or agreement is executed, the At-
23 torney General.

1 “(6) The term ‘participating State’ means a
2 State which elects to participate in the information
3 system pursuant to section 122.

4 “(7) The term ‘salvage vehicle’ means any vehi-
5 cle which is damaged by collision, fire, flood, acci-
6 dent, trespass, or other occurrence to the extent that
7 the cost of repairing the vehicle for legal operation
8 on roads or highways exceeds the fair market value
9 of the vehicle immediately prior to the occurrence
10 causing its damage.

11 “(8) The term ‘salvage yard’ means any indi-
12 vidual, corporation, or other entity which is engaged
13 in the business of acquiring salvage vehicles for re-
14 sale, either in their entirety or as spare parts, or for
15 rebuilding or restoration, or for crushing.

16 **“§ 121. National motor vehicle information system**

17 (a) REGULATIONS AND REVIEW.—Not later than
18 March 1, 1993, the Attorney General, in cooperation with
19 the States shall—

20 “(1) conduct a review of information systems
21 pertaining to the titling of motor vehicles and uti-
22 lized by 1 or more States or by a third party which
23 represents the interests of States for the purpose of
24 determining whether any of such systems could be
25 used to carry out this section, and

1 “(2) promulgate regulations for the establish-
2 ment under subsection (b) of an information system
3 which will serve as a clearinghouse for information
4 pertaining to the titling of motor vehicles if the At-
5 torney General deems such regulations appropriate
6 or necessary to the establishment of such system.

7 “(b) INFORMATION SYSTEM.—

8 “(1) ESTABLISHMENT.—Not later than 6
9 months following the promulgation of regulations
10 under subsection (a)(2), and in no case later than
11 September 1, 1993, the Attorney General, in co-
12 operation with the States, shall establish an informa-
13 tion system which will serve as an information sys-
14 tem for information pertaining to the titling of
15 motor vehicles.

16 “(2) OPERATION.—The Attorney General may
17 authorize the operation of the information system
18 established under paragraph (1) through an agree-
19 ment with a State or States or by designating, after
20 consultation with the States, a third party which
21 represents the interests of the States to operate the
22 information system.

23 “(3) FEES.—Operation of the information sys-
24 tem shall be paid for by a system of user fees. The
25 amount of fees collected and retained by the opera-

1 tor pursuant to this paragraph in any fiscal year,
2 not including fees collected by the operator and
3 passed on to a State or other entity providing infor-
4 mation to the operator, shall not exceed the costs of
5 operating the information system in such fiscal year.

6 “(c) **MINIMUM FUNCTIONAL CAPABILITIES.**—The in-
7 formation system established under subsection (b)(1)
8 shall, at a minimum, enable a user of the system to
9 determine—

10 “(1) the validity and status of a document pur-
11 porting to be a certification of title,

12 “(2) whether a motor vehicle bearing a known
13 vehicle identification number is titled in a particular
14 State,

15 “(3) whether a motor vehicle known to be titled
16 in a particular State is a junk vehicle or a salvage
17 vehicle,

18 “(4) for a motor vehicle known to be titled in
19 a particular State, the odometer reading of such ve-
20 hicle on the date its certificate of title was issued,
21 and

22 “(5) whether a motor vehicle bearing a known
23 vehicle identification number has been reported as a
24 junk vehicle or a salvage vehicle pursuant to section
25 123.

1 “(d) AVAILABILITY OF INFORMATION.—

2 “(1) TO STATE.—Upon request of a participat-
3 ing State, the operator shall provide to such State
4 information available through the information sys-
5 tem pertaining to any motor vehicle.

6 “(2) TO LAW ENFORCEMENT.—Upon request of
7 a Federal, State, or local law enforcement official,
8 the operator shall provide to such official informa-
9 tion available through the information system per-
10 taining to a particular motor vehicle, salvage yard,
11 or junk yard.

12 “(3) TO PROSPECTIVE PURCHASERS.—Upon re-
13 quest of a prospective purchaser of a motor vehicle,
14 including an entity that is in the business of pur-
15 chasing used motor vehicles, the operator shall pro-
16 vide to such prospective purchaser information avail-
17 able through the information system pertaining to
18 such motor vehicle.

19 “(4) TO INSURANCE CARRIERS.—Upon request
20 of a prospective insurer of a motor vehicle, the oper-
21 ator shall provide to such prospective insurer infor-
22 mation available through the information system
23 pertaining to such motor vehicle.

24 “(5) PRIVACY.—Notwithstanding any provision
25 of paragraphs (1) through (4), the operator shall not

1 release an individual's address or social security
2 number to users of the information system.

3 “(e) FUNDING.—There are authorized to be appro-
4 priated \$2,000,000 for each of fiscal years 1992, 1993,
5 and 1994 to carry out this section.

6 **“§ 122. State participation in the national motor vehi-**
7 **cle information system**

8 “(a) ELECTION.—

9 “(1) STATE PARTICIPATION.—A State may, by
10 written notice to the operator, elect to participate in
11 the information system established pursuant to sec-
12 tion 121.

13 “(2) DENIAL OF ACCESS.—The Director of the
14 Federal Bureau of Investigation shall have the au-
15 thority to deny access to the National Crime Infor-
16 mation Center system to any State failing to partici-
17 pate in the information system pursuant to para-
18 graph (1).

19 “(b) TITLE VERIFICATION REQUIREMENTS.—Each
20 participating State must agree to perform an instant title
21 verification check before issuing a certificate of title to an
22 individual or entity claiming to have purchased a motor
23 vehicle from an individual or entity in another State. Such
24 instant title verification check shall consist of—

1 “(1) communicating to the operator the vehicle
2 identification number of the vehicle for which the
3 certificate of title is sought, the name of the State
4 which issued the most recent certificate of title per-
5 taining to the vehicle, and the name of the individual
6 or entity to whom such certificate was issued; and

7 “(2) affording the operator an opportunity to
8 communicate to the participating State the results of
9 a search of the information.

10 **“§ 123. Reporting**

11 “(a) OPERATORS OF JUNK OR SALVAGE YARD.—

12 “(1) MONTHLY REPORT.—Any person or entity
13 in the business of operating an automobile junk yard
14 or automobile salvage yard shall file a monthly re-
15 port with the operator. Such report shall contain an
16 inventory of all junk vehicles or salvage vehicles ob-
17 tained by the junk yard or salvage yard during the
18 preceding month. Such inventory shall contain the
19 vehicle identification number of each vehicle ob-
20 tained, the date on which it was obtained, the name
21 of the person or entity from whom the reporter ob-
22 tained the vehicle, and a statement of whether the
23 vehicle was crushed.

24 “(2) CONSTRUCTION.—Paragraph (1) shall not
25 apply to persons or entities that are required by

1 State law to report the acquisition of junk vehicles
2 or salvage vehicles to State or local authorities.

3 “(b) INSURANCE CARRIERS.—Any person or entity
4 engaged in business as an insurance carrier shall file a
5 monthly report with the operator. Such report shall con-
6 tain an inventory of all vehicles which such carrier has,
7 during the preceding month, obtained possession of and
8 determined to be junk vehicles. Such inventory shall con-
9 tain the vehicle identification number of each vehicle ob-
10 tained, the date on which it was obtained, the name of
11 the person or entity from whom the reporter obtained the
12 vehicle, and the owner of the vehicle at the time of the
13 filing of the report.

14 **“§ 124. Enforcement provisions**

15 “(a) CIVIL PENALTY.—Whoever violates section 123
16 may be assessed a civil penalty of not to exceed \$1,000
17 for each violation.

18 “(b) ASSESSMENT AND COLLECTION.—Any such
19 penalty shall be assessed by the Attorney General and col-
20 lected in a civil action brought by the Attorney General
21 of the United States. Any such penalty may be com-
22 promised by the Attorney General. In determining the
23 amount of such penalty, or the amount agreed upon in
24 compromise, the appropriateness of such penalty to the

1 size of the business of the person charged and the gravity
2 of the violation shall be considered.

3 “(c) DEDUCTION OF PENALTY FROM AMOUNTS
4 OWED BY UNITED STATES.—The amount of such penalty,
5 when finally determined, or the amount agreed upon in
6 compromise, may be deducted from any sums owed by the
7 United States to the person charged.”.

8 (b) CLERICAL AMENDMENT.—The table of chapters
9 for part I of such title is amended by inserting after the
10 item relating to chapter 7 the following:

“7A. Automobile title fraud 120.”.

11 **TITLE III—ILLICIT TRAFFICKING**
12 **IN STOLEN AUTO PARTS**

13 **SEC. 301. STOLEN AUTO PARTS.**

14 (a) IN GENERAL.—Part I of title 18, United States
15 Code, as amended by title II, is further amended by insert-
16 ing after chapter 7A the following:

17 **“CHAPTER 7B—ILLICIT TRAFFICKING IN**
18 **STOLEN AUTO PARTS**

“Sec.

“130. Definitions.

“131. Theft prevention standard.

“132. Cost limitation.

“133. Determination of compliance of manufacturer.

“134. National stolen auto part information system.

“135. Prohibited acts.

“136. Enforcement provisions.

“137. Confidentiality of information.

“138. Judicial review.

“139. Coordination with State and local law.

“140. 3-year and 5-year studies regarding motor vehicle theft.

1 **“§ 130. Definitions**

2 “For purposes of this chapter—

3 “(1) The term ‘first purchaser’ means first purchaser for purposes other than resale.

4
5 “(2) The term ‘major part’ of an automobile means—

6
7 “(A) the engine;

8 “(B) the transmission;

9 “(C) each door allowing entrance or egress
10 to the passenger compartment;

11 “(D) the hood;

12 “(E) the grille;

13 “(F) each bumper;

14 “(G) each front fender;

15 “(H) the deck lid, tailgate, or hatchback
16 (whichever is present);

17 “(I) rear quarter panels;

18 “(J) the trunk floor pan;

19 “(K) the frame or, in the case of a unit-
20 ized body, the supporting structure which serves
21 as the frame;

22 “(L) each window; and

23 “(M) any other part of an automobile
24 which the Attorney General, by rule, determines
25 is comparable in design or function to any of

1 the parts listed in subparagraphs (A) through
2 (L).

3 “(3) The term ‘major replacement part’ of an
4 automobile means any major part—

5 “(A) which is not installed in or on an
6 automobile at the time of its delivery to the
7 first purchaser, and

8 “(B) the equitable or legal title to which
9 has not been transferred to any first purchaser.

10 “(4) The term ‘automobile’ has the meaning
11 given such term in section 501(1) of the Motor Vehi-
12 cle Information and Cost Savings Act (15 U.S.C.
13 2001(1)).

14 “(5) The term ‘vehicle theft prevention stand-
15 ard’ means a minimum performance standard for
16 the identification of—

17 “(A) major parts of new motor vehicles,
18 and

19 “(B) major replacement parts,
20 by inscribing or affixing numbers or symbols to such
21 parts.

22 **“§ 131. Theft prevention standard**

23 “(a) IN GENERAL.—The Attorney General shall by
24 rule promulgate, in accordance with this section, a vehicle
25 theft prevention standard which conforms to the require-

1 ments of this chapter and which applies with respect to
2 major parts and major replacement parts for automobiles.
3 The standard under this subsection shall be practicable
4 and shall provide relevant objective criteria.

5 “(b) TIMING.—

6 “(1) PROPOSED STANDARD.—Not later than 3
7 months after the date of the enactment of this chap-
8 ter, the Attorney General shall prescribe and publish
9 a proposed vehicle theft prevention standard.

10 “(2) FINAL STANDARD.—As soon as practicable
11 after the 30th day following the publication of the
12 proposed standard under paragraph (1), but not
13 later than 6 months after such date of enactment,
14 the Attorney General shall promulgate a final rule
15 establishing such a standard.

16 “(3) EXTENSION.—The Attorney General may,
17 for good cause, extend the 3-month and 6-month pe-
18 riods under paragraphs (1) and (2) if the Attorney
19 General publishes the reasons therefor. Either such
20 period may not, in the aggregate, be extended by
21 more than 5 months.

22 “(4) EFFECTIVE DATE.—Such standard shall
23 take effect not earlier than 6 months after the date
24 such final rule is prescribed, except that the Attor-

1 ney General may prescribe an earlier effective date
2 if the Attorney General—

3 “(A) finds, for good cause shown, that the
4 earlier date is in the public interest, and

5 “(B) publishes the reasons for such find-
6 ing.

7 “(5) APPLICATION.—The standard may apply
8 only with respect to—

9 “(A) major parts which are installed by
10 the motor vehicle manufacturer in any auto-
11 mobile which has a model year designation later
12 than the calendar year in which such standard
13 takes effect, and

14 “(B) major replacement parts manufac-
15 tured after such standard takes effect.

16 “(c) REQUIREMENTS.—

17 “(1) ENGINES AND TRANSMISSIONS.—In the
18 case of engines and transmissions installed by the
19 motor vehicle manufacturer, the standard under sub-
20 section (a) shall require that each such engine or
21 transmission be permanently stamped with the vehi-
22 cle identification number of the vehicle of which the
23 engine or transmission is a part.

24 “(2) MAJOR PARTS.—In the case of major parts
25 other than engines and transmissions, the standard

1 under subsection (a) shall require that each such
2 major part has affixed to it a label that—

3 “(A) bears the vehicle identification num-
4 ber of the automobile in characters at least 2.5
5 millimeters tall;

6 “(B) is highly resistant to counterfeiting,
7 either through the use of retroreflective tech-
8 nology or through the use of a technology pro-
9 viding a level of security equivalent to that pro-
10 vided by retroreflective technology;

11 “(C) cannot be removed in one piece from
12 the part to which it is affixed;

13 “(D) if removed from the part to which it
14 is affixed, leaves on that part a permanent
15 mark; and

16 “(E) is not commercially available.

17 “(3) REPLACEMENT PARTS.—In the case of
18 major replacement parts, the standard under this
19 section may not require—

20 “(A) identification of any part which is not
21 designed as a replacement for a major part re-
22 quired to be identified under such standard,
23 and

24 “(B) the inscribing or affixing of any iden-
25 tification other than a symbol identifying the

1 manufacturer and a common symbol identifying
2 the part as a major replacement part.

3 “(d) CONSTRUCTION.—Nothing in this chapter shall
4 be construed to grant authority to require any person to
5 keep records or make reports, except as expressly provided
6 in sections 133(a) and 140.

7 **“§ 132. Cost limitation**

8 “(a) COST LIMITATION.—The standard under section
9 131(a) may not—

10 “(1) impose costs upon any manufacturer of
11 motor vehicles to comply with such standard in ex-
12 cess of \$15 per motor vehicle, or

13 “(2) impose costs upon any manufacturer of
14 major replacement parts to comply with such stand-
15 ard in excess of such reasonable lesser amount per
16 major replacement part as the Attorney General
17 specifies in such standard.

18 “(b) COSTS.—The cost of identifying engines and
19 transmissions shall not be taken into account in cal-
20 culating a manufacturer’s costs under subsection (a) of
21 this section.

22 “(c) PRICE INDEX.—

23 “(1) CERTIFICATION.—At the beginning of each
24 calendar year commencing on or after January 1,
25 1993, as there becomes available necessary data

1 from the Bureau of Labor Statistics of the Depart-
2 ment of Labor, the Secretary of Labor shall certify
3 to the Attorney General and publish in the Federal
4 Register the percentage difference between the price
5 index for the 12 months preceding the beginning of
6 such calendar year and the price index for the base
7 period. Effective for model years beginning in such
8 calendar year, the amounts specified under sub-
9 sections (a) (1) and (2) shall be adjusted by such
10 percentage difference.

11 “(2) DEFINITIONS.—For purposes of paragraph
12 (1)—

13 “(A) The term ‘base period’ means cal-
14 endar year 1992.

15 “(B) The term ‘price index’ means the av-
16 erage over a calendar year of the Consumer
17 Price Index (all items—United States city aver-
18 age) published monthly by the Bureau of Labor
19 Statistics.

20 **“§ 133. Determination of compliance of manufacturer**

21 “(a) REQUIREMENTS.—Every manufacturer of any
22 motor vehicle any part of which is subject to the standard
23 under section 132(a), and any manufacturer of major re-
24 placement parts subject to such standard, shall—

1 “(1) establish and maintain such records, make
2 such reports, and provide such items and informa-
3 tion as the Attorney General may reasonably require
4 to enable the Attorney General to determine whether
5 such manufacturer has acted or is acting in compli-
6 ance with this chapter and such standard, and

7 “(2) upon request of an officer or employee
8 duly designated by the Attorney General, permit
9 such officer or employee to inspect—

10 “(A) vehicles and major parts which are
11 subject to such standard, and

12 “(B) appropriate books, papers, records,
13 and documents relevant to determining whether
14 such manufacturer has acted or is acting in
15 compliance with this chapter and such stand-
16 ard.

17 Such manufacturer shall make available all such items and
18 information in accordance with such reasonable rules as
19 the Attorney General may prescribe.

20 “(b) INSPECTIONS.—For purposes of enforcing this
21 chapter, officers or employees duly designated by the At-
22 torney General, upon presenting appropriate credentials
23 and a written notice to the owner, operator, or agent in
24 charge, may enter and inspect any facility in which motor
25 vehicles containing major parts subject to such standard,

1 or major replacement parts subject to such standard, are
2 manufactured, held for introduction into interstate com-
3 merce, or are held for sale after such introduction. Each
4 such inspection shall be conducted at reasonable times and
5 in a reasonable manner and shall be commenced and com-
6 pleted with reasonable promptness.

7 “(c) CERTIFICATION.—

8 “(1) SPECIFICATION.—Every manufacturer of a
9 motor vehicle subject to the standard promulgated
10 under section 131(a), and every manufacturer of any
11 major replacement part subject to such standard,
12 shall furnish at the time of delivery of such vehicle
13 or part a certification that such vehicle or replace-
14 ment part conforms to the applicable standard under
15 such section. Such certification shall accompany
16 such vehicle or replacement part until delivery to the
17 first purchaser. The Attorney General may issue
18 rules prescribing the manner and form of such cer-
19 tification.

20 “(2) APPLICATION.—Paragraph (1) shall not
21 apply to any motor vehicle or major replacement
22 part—

23 “(A) which is intended solely for export,

24 “(B) which is so labeled or tagged on the
25 vehicle or replacement part itself and on the

1 outside of the container, if any, until exported,
2 and

3 “(C) which is exported.

4 “(d) NOTICE.—If a manufacturer obtains knowledge
5 that (1) the identification applied, to conform to the
6 standard under section 131, to any major part installed
7 by the manufacturer in a motor vehicle during its assem-
8 bly, or to any major replacement part manufactured by
9 the manufacturer, contains an error, and (2) such motor
10 vehicle or major replacement part has been distributed in
11 interstate commerce, the manufacturer shall furnish noti-
12 fication of such error to the Attorney General.

13 **“§ 134. National stolen auto part information system**

14 “(a) AGREEMENT FOR OPERATION OF INFORMATION
15 SYSTEM.—Not later than January 1, 1993, the Attorney
16 General shall enter into an agreement for the operation
17 of an information system containing the identification
18 numbers of stolen motor vehicles and stolen motor vehicle
19 parts. Such agreement shall designate an individual or en-
20 tity as the operator of such system for the purposes of
21 this section and section 135.

22 “(b) MINIMUM INFORMATION.—The information sys-
23 tem under subsection (a) shall, at a minimum, include the
24 following information pertaining to each motor vehicle re-

1 ported to a law enforcement authority as stolen and not
2 recovered:

3 “(1) The vehicle identification number of such
4 vehicle.

5 “(2) The make and model year of such vehicle.

6 “(3) The date on which the vehicle was re-
7 ported as stolen.

8 “(4) The location of the law enforcement au-
9 thority that received the reports of the vehicle’s
10 theft.

11 “(5) If the vehicle at the time of its theft con-
12 tained parts bearing identification numbers different
13 from the vehicle identification number of the stolen
14 vehicle, such identification numbers.

15 “(c) AVAILABILITY OF INFORMATION.—Upon request
16 by a merchant dealing in automobile parts or an individual
17 or enterprise engaged in the business of repairing auto-
18 mobiles, or by an insurance carrier whose business in-
19 volves payment for repair of insured vehicles, the operator
20 shall immediately provide such merchant, individual, en-
21 tity, or insurance carrier with a determination as to
22 whether the information system contains a record of a ve-
23 hicle or a vehicle part bearing a particular vehicle identi-
24 fication number having been reported stolen.

1 “(d) RECORDKEEPING.—The agreement under sub-
2 section (a) shall specify that the operator will keep records
3 of all inquiries for use by law enforcement officials, includ-
4 ing prosecutors, in enforcing section 135(c).

5 “(e) COLLECTION OF FEES.—The agreement under
6 subsection (a) may provide for a fee system for use of the
7 information system. If the agreement does so provide, it
8 shall also provide that the amount of fees collected in any
9 fiscal year may not exceed the costs of operating the infor-
10 mation system in such fiscal year.

11 “(f) FUNDING.—There are authorized to be appro-
12 priated \$5,000,000 for each of fiscal years 1992 and 1993
13 to carry out this section.

14 **“§ 135. Prohibited acts**

15 “(a) IN GENERAL.—No person shall—

16 “(1) manufacture for sale, sell, offer for sale, or
17 introduce or deliver for introduction in interstate
18 commerce, or import into the United States—

19 “(A) any motor vehicle subject to the
20 standard under section 131(a), or

21 “(B) any major replacement part subject
22 to such standard,

23 which is manufactured on or after the date the
24 standard under section 131(a) takes effect under

1 this chapter for such vehicle or major replacement
2 part unless it is in conformity with such standard;

3 “(2) fail to comply with any rule prescribed by
4 the Attorney General under this chapter;

5 “(3) fail to keep specified records or refuse ac-
6 cess to or copying of records, or fail to make reports
7 or provide items or information, or fail or refuse to
8 permit entry or inspection, as required by this chap-
9 ter; or

10 “(4) fail to—

11 “(A) furnish certification required by sec-
12 tion 133(c), or

13 “(B) issue a certification required by sec-
14 tion 133(c) if such person knows, or in the ex-
15 ercise of due care has reason to know, that such
16 certification is false or misleading in a material
17 respect.

18 “(b) APPLICATION.—Subsection (a)(1) shall not
19 apply to any person who establishes that such person did
20 not have reason to know in the exercise of due care that
21 the vehicle or major replacement part is not in conformity
22 with an applicable theft prevention standard.

23 “(c) PARTS.—No person shall sell, transfer, or install
24 a major part marked with an identification number
25 without—

1 “(1) first making a request of the operator pur-
2 suant to section 134(c) and determining that such
3 major part has not been reported as stolen; and

4 “(2) providing the transferee with a written cer-
5 tificate bearing a description of such major part and
6 the identification number affixed to such major part.

7 “(d) APPLICATION.—Subsection (c)(1) shall not
8 apply to a person who is the manufacturer of the major
9 part, who has purchased the major part directly from the
10 manufacturer, or who has been informed by an insurance
11 carrier that the major part has not been reported as sto-
12 len.

13 **“§ 136. Enforcement provisions**

14 “(a) CIVIL PENALTIES.—

15 “(1) IN GENERAL.—Whoever violates section
16 135(a) may be assessed a civil penalty of not to ex-
17 ceed \$1,000 for each violation. The failure of more
18 than one part of a single motor vehicle to conform
19 to an applicable motor vehicle theft prevention
20 standard shall constitute only a single violation.

21 “(2) PARTS.—Whoever violates section 135(c)
22 may be assessed a civil penalty not to exceed \$1,000
23 for the first such violation or \$25,000 for each sub-
24 sequent violation.

1 “(3) ACTION ON PENALTY.—Any penalty under
2 this subsection shall be assessed by the Attorney
3 General and collected in a civil action brought by the
4 Attorney General. Any such civil penalty may be
5 compromised by the Attorney General. In determin-
6 ing the amount of such penalty, or the amount
7 agreed upon in compromise, the appropriateness of
8 such penalty to the size of the business of the person
9 charged and the gravity of the violation shall be con-
10 sidered.

11 “(4) DEDUCTION.—The amount of such pen-
12 alty, when finally determined, or the amount agreed
13 upon in compromise, may be deducted from any
14 sums owed by the United States to the person
15 charged.

16 “(5) AMOUNT.—The maximum civil penalty
17 shall not exceed \$250,000 for any related series of
18 violations.

19 “(b) CRIMINAL PENALTIES.—Whoever, having been
20 previously assessed a penalty under subsection (a), vio-
21 lates section 135(c) shall be fined under this chapter or
22 imprisoned not more than 3 years, or both.

23 “(c) ACTIONS.—

24 “(1) INJUNCTIONS.—Upon petition by the At-
25 torney General on behalf of the United States, the

1 United States district courts shall have jurisdiction
2 for cause shown and subject to the provisions of rule
3 65 (a) and (b) of the Federal Rules of Civil Proce-
4 dure, to restrain violations of section 135(a) or
5 135(c) or to restrain the sale, offer for sale, the in-
6 troduction or delivery for introduction in interstate
7 commerce, or the importation into the United
8 States, of—

9 “(A) any automobile containing a major
10 part, or

11 “(B) any major replacement part, which is
12 subject to the standard under section 131(a)
13 and is determined, before the sale of such vehi-
14 cle or such major replacement part to a first
15 purchaser, not to conform to such standard.
16 Whenever practicable, the Attorney General
17 shall give notice to any person against whom an
18 action for injunctive relief is contemplated and
19 afford the person an opportunity to present
20 such person’s views, and except in the case of
21 a knowing and willful violation, shall afford the
22 person reasonable opportunity to achieve com-
23 pliance. The failure to give such notice and af-
24 ford such opportunity shall not preclude the
25 granting of appropriate relief.

1 “(2) CRIMINAL CONTEMPT.—In any proceeding
2 for criminal contempt for violation of an injunction
3 or restraining order issued under paragraph (1),
4 which violation also constitutes a violation of section
5 135(a) or 135(e), trial shall be by the court, or,
6 upon demand of the accused, by a jury. Such trial
7 shall be conducted in accordance with the practice
8 and procedure applicable in the case of proceedings
9 subject to the provisions of rule 42(b) of the Federal
10 Rules of Criminal Procedure.

11 “(3) VENUE.—Actions under paragraph (1)
12 and under subsection (a) may be brought in the dis-
13 trict wherein any act or transaction constituting the
14 violation occurred or in the district wherein the de-
15 fendant is found or is an inhabitant or transacts
16 business, and process in such cases may be served
17 in any other district in which the defendant is an in-
18 habitant or wherever the defendant may be found.

19 “(4) SUBPOENAS.—In any actions brought
20 under paragraph (1) and under subsection (1) and
21 under subsection (a), subpoenas for witnesses who
22 are required to attend a United States district court
23 may run into any other district.

1 **“§ 137. Confidentiality of information**

2 “All information reported to, or otherwise obtained
3 by, the Attorney General or the Attorney General’s rep-
4 resentative under this chapter which contains or relates
5 to a trade secret or other matter referred to in section
6 1905 or in section 552(b)(4) of title 5, United States
7 Code, shall be considered confidential for the purpose of
8 the applicable section of this chapter, except that such in-
9 formation may be disclosed to other officers or employees
10 concerned with carrying out this chapter or when relevant
11 in any proceeding under this chapter. Nothing in this sec-
12 tion shall authorize the withholding of information by the
13 Attorney General or any officer or employee under the At-
14 torney General’s control from any committee of the Con-
15 gress.

16 **“§ 138. Judicial review**

17 “Any person who may be adversely affected by any
18 provision of any standard or other rule under this chapter
19 may obtain judicial review of such standard or rule in ac-
20 cordance with section 504 of the Motor Vehicle Informa-
21 tion and Cost Savings Act (15 U.S.C. 2004). Nothing in
22 this section shall preclude the availability to any person
23 of other remedies provided by law in the case of any stand-
24 ard, rule, or other action under this chapter.

1 **“§ 139. Coordination with State and local law**

2 “Whenever a vehicle theft prevention standard estab-
 3 lished under section 131(a) is in effect, no State or politi-
 4 cal subdivision of a State shall have any authority either
 5 to establish, or to continue in effect, with respect to any
 6 motor vehicle, or major replacement part, any vehicle theft
 7 prevention standard which is not identical to such vehicle
 8 theft prevention standard.”.

9 (b) CLERICAL AMENDMENT.—The table of chapters
 10 for such title (as amended by section 201(a)) is further
 11 amended by inserting after the item relating to chapter
 12 7A the following:

“7B. Illicit trafficking in stolen auto parts 120.”.

13 **SEC. 2. STUDIES REGARDING MOTOR VEHICLE THEFT.**

14 (a) 3 YEAR STUDY.—

15 (1) REPORT.—Not later than 3 years after the
 16 date of the enactment of this Act, the Attorney Gen-
 17 eral shall submit a report to the Congress which in-
 18 cludes the information and legislative rec-
 19 ommendations required under paragraphs (2) and
 20 (3).

21 (2) CONTENT.—The report required by para-
 22 graph (1) shall include—

23 (A) data on the number of trucks, multi-
 24 purpose passenger vehicles, and motorcycles,
 25 stolen and recovered annually, compiled by

1 model, make, and line for all such motor vehi-
2 cles distributed for sale in interstate commerce;

3 (B) information on the extent to which
4 trucks, multipurpose passenger vehicles, and
5 motorcycles, stolen annually are dismantled to
6 recover parts or are exported;

7 (C) a description of the market for such
8 stolen parts;

9 (D) information concerning the premiums
10 charged by insurers of comprehensive insurance
11 coverage of trucks, multipurpose passenger ve-
12 hicles, or motorcycles, including any increase in
13 such premiums charged because any such motor
14 vehicle is a likely candidate for theft; and

15 (E) an assessment of whether the identi-
16 fication of parts of trucks, multipurpose pas-
17 senger vehicles, and motorcycles is likely to
18 have (i) a beneficial impact in decreasing the
19 rate of theft of such vehicles; (ii) improve the
20 recovery rate of such vehicles; (iii) decrease the
21 trafficking in stolen parts of such vehicles; (iv)
22 stem the export and import of such stolen vehi-
23 cles or parts; or (v) benefits which exceed the
24 costs of such identification.

1 (3) RECOMMENDATION.—The report under
2 paragraph (1) shall recommend to Congress wheth-
3 er, and to what extent, the identification of trucks,
4 multipurpose passenger vehicles, and motorcycles
5 should be required by statute.

6 (b) 5 YEAR STUDY.—

7 (1) REPORT.—Not later than 5 years after the
8 promulgation of the standard required by section
9 131(a) of title 18, United States Code, the Attorney
10 General shall submit a report to the Congress which
11 includes the information and legislative rec-
12 ommendations required under paragraphs (2) and
13 (3). The report shall—

14 (A) cover a period of at least 4 years sub-
15 sequent to the promulgation of the standard re-
16 quired by chapter 7B of title 18, United States
17 Code, and

18 (B) reflect any information, as appro-
19 priate, from the report under subsection (a) up-
20 dated from the time of such report.

21 (2) CONTENT.—The report required by para-
22 graph (1) shall include—

23 (A) information about the methods and
24 procedures used by public and private entities
25 for collecting, compiling, and disseminating in-

1 formation concerning the theft and recovery of
2 motor vehicles, including classes thereof, and
3 about the reliability, accuracy, and timeliness of
4 such information, and how such information
5 can be improved;

6 (B) data on the number of motor vehicles
7 stolen and recovered annually, compiled by the
8 class of vehicle, model, make, and line for all
9 such motor vehicles distributed for sale in inter-
10 state commerce;

11 (C) information on the extent to which
12 motor vehicles stolen annually are dismantled to
13 recover parts or are exported;

14 (D) a description of the market for such
15 stolen parts;

16 (E) information concerning the costs to
17 manufacturers, as well as to purchasers of pas-
18 senger motor vehicles, in complying with the
19 standard promulgated under chapter 7B of title
20 18, United States Code, as well as the identi-
21 fication of the beneficial impacts of the stand-
22 ard and the monetary value of any such im-
23 pacts, and the extent to which such monetary
24 value is greater than the costs;

1 (F) information concerning the experience
2 of Federal, State, and local officials in making
3 arrests and successfully prosecuting persons for
4 violations of sections 511, 552, and 2321 of
5 title 18, United States Code, in preventing or
6 reducing the number, and rate of, thefts of
7 motor vehicles that are dismantled for parts
8 subject to chapter 7B of title 18, United States
9 Code, and in preventing or reducing the avail-
10 ability of used parts that are stolen from motor
11 vehicles subject to such chapter;

12 (G) information concerning the premiums
13 charged by insurers of comprehensive insurance
14 coverage of motor vehicles subject to chapter
15 7B of title 18, United States Code, including
16 any increase in such premiums charged because
17 a motor vehicle is a likely candidate for theft,
18 and the extent to which such insurers have re-
19 duced for the benefit of consumers such pre-
20 miums as a result of such chapter or have fore-
21 gone premium increases as a result of such
22 chapter;

23 (H) information concerning the adequacy
24 and effectiveness of Federal and State laws
25 aimed at preventing the distribution and sale of

1 used parts that have been removed from stolen
2 motor vehicles and the adequacy of systems
3 available to enforcement personnel for tracing
4 parts to determine if they have been stolen from
5 a motor vehicle;

6 (I) an assessment of whether the identi-
7 fication of parts of other classes of motor vehi-
8 cles is likely to have (i) a beneficial impact in
9 decreasing the rate of theft of such vehicles; (ii)
10 improve the recovery rate of such vehicles; (iii)
11 decrease the trafficking in stolen parts of such
12 vehicles; (iv) stem the export and import of
13 such stolen vehicles, parts, or components; or
14 (v) benefits which exceed the costs of such iden-
15 tification; and

16 (J) other pertinent and reliable informa-
17 tion available to the Attorney General concern-
18 ing the impact, including the beneficial impact
19 of sections 511, 553, and 2321 of title 18,
20 United States Code, on law enforcement, con-
21 sumers, and manufacturers.

22 (3) RECOMMENDATIONS.—The report submit-
23 ted under paragraph (1) to the Congress shall in-
24 clude recommendations for (A) continuing the stand-
25 ard established by chapter 7B of title 18, United

1 States Code, without change, (B) modifying such
2 chapter to cover more or fewer lines of passenger
3 motor vehicles, (C) modifying such chapter to cover
4 other classes of motor vehicles, or (D) terminating
5 the standard for all future motor vehicles. The re-
6 port may include, as appropriate, legislative and ad-
7 ministrative recommendations.

8 (c) BASES FOR REPORTS.—

9 (1) CONTENT.—The reports under subsections
10 (a)(1) and (b)(1) shall each be based on (A) infor-
11 mation provided by the Federal Bureau of Investiga-
12 tion, (B) experience obtained in the implementation,
13 administration, and enforcement of chapter 7B of
14 title 18, United States Code, (C) experience gained
15 by the Government under sections 511, 553, and
16 2321 of title 18, United States Code, and (D) any
17 other reliable and relevant information available to
18 the Attorney General.

19 (2) CONSULTATION.—In preparing each such
20 report, the Attorney General shall consult with State
21 and local law enforcement officials, as appropriate.

22 (3) REVIEW AND COMMENT.—At least 90 days
23 before submitting each such report to Congress, the
24 Attorney General shall publish the proposed report
25 for public review and for an opportunity for written

1 comment of at least 45 days. The Attorney General
2 shall consider such comments in preparing the final
3 report and shall include a summary of such com-
4 ments with the final report.

5 **TITLE IV—EXPORT OF STOLEN**
6 **VEHICLES**

7 **SEC. 401. RANDOM CUSTOMS INSPECTIONS FOR STOLEN**
8 **MOTOR VEHICLES BEING EXPORTED.**

9 Part VI of title IV of the Tariff Act of 1930 is
10 amended by inserting after section 646 the following:

11 **“SEC. 646A. RANDOM CUSTOMS INSPECTIONS FOR STOLEN**
12 **MOTOR VEHICLES BEING EXPORTED.**

13 “The Commissioner of Customs shall direct customs
14 officers to conduct at random inspections of motor vehi-
15 cles, and of shipping containers that contain motor vehi-
16 cles that are being exported, for purposes of determining
17 whether such vehicles were stolen.

18 **“SEC. 646B. EXPORT REPORTING REQUIREMENT.**

19 “The Commissioner of Customs shall require all per-
20 sons or entities exporting used self-propelled vehicles by
21 air or ship to provide to the Customs Service, at least 72
22 hours before the export, the vehicle identification number
23 of each such vehicle and proof of ownership of such vehi-
24 cle. The requirement of this section applies to vehicles ex-
25 ported for personal use.”.

1 **SEC. 402. PILOT STUDY AUTHORIZING UTILITY OF NON-**
2 **DESTRUCTIVE EXAMINATION SYSTEM.**

3 The Secretary of the Treasury, acting through the
4 Commissioner of Customs, shall conduct a pilot study of
5 the utility of a nondestructive examination system to be
6 used for inspection of containers that contain motor vehi-
7 cles leaving the country for the purpose of determining
8 whether such vehicles are stolen.

9 **SEC. 403. DEFINITION OF RACKETEERING ACTIVITY TO IN-**
10 **CLUDE EXPORT OR IMPORT OF STOLEN**
11 **AUTOMOBILES.**

12 Subparagraph (B) of section 1961(1) is amended by
13 inserting "section 553 (relating to the export or import
14 of stolen automobiles)" after "473 (relating to counterfeit-
15 ing)".

O

Mrs. COLLINS. Our first witness today will be the Honorable Philip Sharp from the State of Indiana. Mr. Sharp.

**STATEMENT OF HON. PHILIP R. SHARP, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF INDIANA**

Mr. SHARP. Thank you very much, Madam Chairwoman. I appreciate your holding this hearing and taking seriously these issues. I am really here to testify about the content labeling but *obviously* all of us were deeply moved by the brutal and savage murder of the mother in Maryland and it reminds us that at all levels of government we have got to move aggressively to enforce the law now and to help take any further steps to prevent that from happening certainly and also car theft in general.

Madam Chairwoman, I take my few minutes now to turn to H.R. 4220. I think it is important that we provide the consumer with more information. I think it is important for the consumer, I think it is important for American jobs. The fact is, what our legislation does is try to build on a system that is currently in place based on information currently collected so that the mechanics remain simple to get the information together from the company's point of view and simple from the consumers's point of view who in many cases are asking for information about who produced this vehicle.

Let's start, first of all, from the understanding that one of the most important and one of the largest purchases any of us make is for an automobile, a van or a truck in this country. Aside from our housing, that becomes one of the biggest expenditures in the budget. And that expenditure has a fairly substantial impact on other people's lives in this country or elsewhere around the world because of the enormous number of people and the materials that are required to manufacture the parts and assemble the vehicles and get them to market.

And frankly, we are in intense competition. We have seen this industry and its production in this country shrink. We have seen a situation where high-wage jobs have been lost in the United States and we know that the economy in general, as the newspaper said this morning, is in park, meaning that it is not moving and we have got to get things moving.

Well, this of course is not the economic plan but what this is is one step to help make sure that consumers can invest their money, if they are so inclined and they so believe, and a number have indicated they do believe they want to invest their money, in a quality American product that will produce an American job.

And so, Madam Chairwoman, I think they need help. We know that the industry is substantially different than it was 10 or 15 years ago worldwide, and so it is very difficult when you walk into a dealership to know what the circumstances are. Our legislation will build on the current label. The current label says you must put the city where the vehicle is assembled, we say put city and country where it is assembled, but second, and I think even much more significant, is we ask them to give a percentage estimate of the model as to what was built in the United States. Then it is a consumer's choice.

We had three companies in this country, I believe, perhaps more who, during this previous year, offered their employees an incentive to buy American, and boy, the employees responded, though they ran into some difficulty about really knowing whether or not they were, in fact, buying a product built in this country. In this tough economic world, I think this is more than fair. I think it is mechanically workable, and I would be happy to work with the committee on any of the remaining sort of controversies over some of the detailings and I certainly urge action.

It is one step we can take that can be helpful. Of course there are many other steps that both are being taken and must be taken to get this economy moving again.

Mrs. COLLINS. Thank you.

[The prepared statement of Hon. Philip Sharp follows:]

STATEMENT OF HON. PHILIP R. SHARP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Madam Chairwoman, I appear before you today to strongly support action this year on legislation to provide information to Americans about the domestic content of automobiles for sale in this country.

I am grateful to you for holding this hearing and for your willingness to consider promoting good-paying jobs in America by helping consumers make informed choices. I also want to thank Congressman Tom McMillen, a member of this subcommittee, who has offered his support for getting legislation passed this year.

This legislation truly belongs in this subcommittee. It has implications in all the areas of jurisdiction under your care—commerce, consumer protection and competitiveness.

As you know, Madam Chairwoman, I am the sponsor of one of the bills before you today. I want to make it clear at the outset that I am eager to work with you to see that auto labeling legislation pass this year. If that means changes in H.R. 4220, that's fine with me. There are many Members of Congress interested in this issue as we can see from the Senate's action to pass auto labeling legislation under the leadership of Senator Barbara Mikulski.

However, the real impetus behind the bill I have offered are auto workers back home in Indiana. In my State, more than 140,000 Hoosiers are employed in the automobile and related industries.

In many meetings and conversations with union members, with retirees and with people employed in the auto parts industry, I have been struck by the frustration and despair many of them express.

There is fear about further job losses in the auto industry.

There is frustration that the recession has derailed the emergence of confidence in a quality-conscious domestic industry.

There is concern that the new opportunities brought by alternatively fueled vehicles can be captured by other countries unless the health of the industry allows the necessary investment.

But most of all, there is a burning desire among all these people to get a chance to show American consumers and industry that Americans can still deliver the goods—the best goods.

American-made auto labeling legislation is really very simple. If cars and trucks sold in the United States carry information about domestic content, consumers can make informed judgments about the second largest purchase most Americans ever make. Consumers I have spoken to in recent months want to use their purchasing power to make a difference for U.S. jobs and our own economy.

In addition, if cars and trucks sold in the United States carry information about domestic content, manufacturers assembling in the United States will be encouraged to use more parts actually manufactured in the United States. This legislation is not anti-anybody. It is pro jobs. It is pro-American jobs.

Americans responded dramatically to news of the near depression in the auto industry caused, in part, by this terrible recession. More Americans bought American cars. Companies offered incentives for their employees who bought American. And the incentives worked. Their employees went out and bought American cars.

Some Americans took out their frustrations in unfortunate attacks on firms that were perceived to be less sensitive to employing Americans or to using American manufactured goods.

Let's give consumers and corporations the information they need to take rational and constructive actions to support American workers and American industry.

Please pass H.R. 4220 this year and support a process that will see American-made auto labelling legislation enacted into law in 1992.

Mrs. COLLINS. The Honorable Charles Schumer from the State of New York. Mr. Schumer.

STATEMENT OF HON. CHARLES E. SCHUMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SCHUMER. Thank you very much, Chairwoman Collins, first for holding this hearing and second for giving me the opportunity to testify as well for your support, strong support in the fight against auto theft as exhibited by your co-sponsorship of H.R. 4542. Madam Chairwoman, the simple fact is that auto theft has spun completely out of control. What used to be treated like a joke, people called car thefts joy rides, is now a deadly serious business as Maryland's recent tragedy shows.

Thieves steal cars and now sometimes even kill people whenever and wherever they like with little fear of being caught. The enormous cost, more than \$8 billion a year, fuels ever higher insurance premiums. Most frightening, the modern car theft is an increasingly violent criminal. The latest tragic incident happened 2 days ago in Savage, Md. Two thieves dragged a woman out of her car, stopped at a stop light, and when she tried to rescue her baby daughter from the car, the thieves just sped away dragging the woman for a mile and a half and killing her. On this morning's news I saw that there were two more armed carjackings last night in the Washington area alone.

Madam Chairwoman, what happened in Maryland should be a wake-up call to all of us. Congress should do something now to help reduce car theft before more people die, and we in Congress can actually do something real to reduce car thieves. We can't just throw up our hands and lament the fact that the car thieves have taken over the streets.

My bill contains a number of real practical steps that would reduce car theft significantly. It makes armed carjacking a Federal offense. It says that the only contact violent criminals should have with our cars is to make license plates for them behind bars. It also provides assistance to State and local law enforcement and most important, it takes the profit away from car thieves.

Thieves, violent and nonviolent, turn stolen cars into money in three ways, by chopping them up and selling the parts; that is far in a way the number one way they do it, by selling the whole car with a fraudulent title, and by exporting the car. My bill would make each of these methods more difficult. The bill will keep car owners, not car thieves, in the driver's seat.

Now, the bill is not ideological, it is not partisan, it is simply pragmatic and effective. I came up with this proposal because car theft is such a big issue in my district, as I know it is in yours and throughout the country, and I sat down with the experts and said how can we do something real and practical to reduce auto theft,

and we came up with H.R. 4542. It is supported by a broad—extraordinarily broad coalition, law enforcement. My colleagues from South Carolina and Michigan say the bill won't be effective. Then why is it that just about every major Federal law enforcement group is for it, as well as the Fraternal Order of Police and the International Association of Auto Theft Investigators, the Association of Chiefs of Police, the district attorneys, the National Association of Black Law Enforcement Executives, all for it.

Many of them helped in drafting the bill, as well as, of course, the AAA, the Automobile Club of America. They are not into doing silly and useless things, the Consumer Federation of America. And let me talk a little bit about title III which is the part of the bill that has garnered the most controversy.

Most people who steal cars these days are no longer just joyriding. They are stealing cars for their parts. We have two choices. We can put a policeman on every street. If we had the money, we probably would want to do that, but if not, you can choke off the profit motive that the people, dastardly criminals in Maryland, as well as the more mundane auto thieves, you can choke off that profit motive at the bottleneck, where the stolen part is put onto your or my car.

If you can stop that, you can do it efficiently, cheaply and cost effectively and that is what the bill does. This bill is not like the previous car parts-marking bill. You said the National Highway Safety organization said the previous bill didn't work, or it is inconclusive. This bill is totally different, because this bill says that when a chop shop or a thief sells the part to a legitimate auto dealer, that auto dealer has to check the number on the part with an 800 number in Washington and see if it came from a stolen car.

That is the whole key to Part 3 of the bill. That is not in existence now. Yes, putting numbers on a few cars, that helped law enforcement marginally. I believe the numbers show it did help and law enforcement believes it did help and they know better than anybody else, but that is not this bill.

When you need a part for a car and you go to your auto repair guy, he will often say to you, well, I can send to Detroit for the part. That will take a few weeks, cost you a lot of money or I can look around for it. He is not doing anything wrong, but when he looks around for it, he is one step away or two steps away from an illegal operation, a junk dealer or a chop shop, that then goes out, steals the car, brings back the part, destroys the rest of the car, and gives that part to you.

Well, the auto repair people are decent people. They don't want to participate in this right now but that is the mechanism. This would choke off that mechanism by saying that these people, on pain of losing their license to be an auto repair dealer and hit with huge civil fines, would have to call up this 800 number and if simply the number on that part said that it came from a stolen car, they couldn't use it. Choke out the profit out of auto thievery, which is now an \$8 billion business, and every one of us have thousands of constituents who have had to shell out tens of thousands of dollars for new cars because their old cars were stolen, and so it is going to be an effective bill.

Basically the critics of this bill, I paraphrase Lee Iacocca, if you can find a better bill, pass it, but if you don't have a better bill, pass this one because this is the bill that most every law enforcement authority says will do a great deal.

In short, in conclusion, I ask my entire statement be submitted in the record.

Mrs. COLLINS. Without objection, so ordered.

Mr. SCHUMER. I know the committee is pressed for time. But in short my colleagues, when you want to know why people are frustrated with Congress, this is the reason. I don't want to make it into a grandiose thing, but this is a real problem. We were sent here to solve the problem. There is one special interest who says they don't want to pay the \$5 or \$6 a car that it takes to stop, greatly reduce auto thievery.

I estimate this if this bill passes, auto thievery will be cut by at least 25 percent and insurance premiums will no longer just skyrocket out of control for auto thievery. One special interest says they don't want it. Everyone else is for it. Are we going to buckle under? Or are we going to do what our public sent us here to do, which is pass something that does something to make their lives better.

People feel Washington has no touch with their lives. This bill gives touch to people's lives. We have to break the legislative gridlock which applies in the auto thievery area, unfortunately, and pass this bill.

The new professional car thief, in conclusion, Madam Chairwoman, the new professional car thief is a high-speed racer running laps around law enforcement through no fault of law enforcement. This bill gives law enforcement the tools it needs to catch them. Let's help them do the job.

[The prepared statement and attachments of Hon. Charles E. Schumer follow:]

STATEMENT OF HON. CHARLES E. SCHUMER, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW YORK

Thank you Chairwoman Collins for holding this hearing and for giving me the opportunity to testify.

The simple fact is that automobile theft has spun completely out of control. What used to be treated like a joke—people called car thefts "joyrides"—is now a deadly serious business. Thieves steal cars whenever and wherever they like, with no fear of being caught. The enormous cost—more than \$8 billion a year—fuels ever-higher insurance premiums. Most frightening, the modern car thief is an increasingly violent criminal.

The latest, tragic incident happened 2 days ago in Savage, Md. Two thieves dragged a woman out of a car stopped at a stop light, and when she tried to rescue her baby daughter from the car, the thieves just sped away, dragging the woman for a mile and a half and killing her. And on this morning's news I saw that there were two more armed carjackings last night in the Washington area.

We in Congress can—and must—do more than simply throw up our hands and lament the fact that car thieves have taken over the streets. My bill contains a number of real, practical steps that would reduce car theft significantly. It makes armed carjacking a Federal offense, it provides assistance to State and local law enforcement, and, most important, it takes the profit away from car thieves. Thieves turn stolen cars into money in three ways: by chopping them up and selling the parts, by selling the whole car with a fraudulent title, and by exporting the car. My bill would make each of these methods much more difficult.

These proposals are not ideological or partisan—they are pragmatic and effective. The bill is endorsed by an extraordinarily broad coalition of law enforcement, insur-

ance carriers and consumer groups. The only opposition has come from the auto industry. They have criticized the anti chop shop provisions, which are really the heart of the bill, so I will focus on them.

Most cars that are stolen are taken to chop shops, which dismantle them and sell the parts to repair shops. Our bill would make the parts impossible to sell by labeling them with the car's vehicle ID number, and requiring repair shops to check the ID number to make sure they are not trafficking in stolen goods. When I talked to law enforcement experts, they agreed that the key to stopping auto theft is to put the chop shops out of business, and they agreed that parts marking is the best tool for doing that.

As you know, this proposal is really an expansion of an existing program that marks the parts of certain high-theft auto lines. I am sure that in the testimony later you will hear some dispute about whether this program has worked—the auto manufacturers say it has not, law enforcement and insurance companies say that it has, and NHTSA issued a report saying that it couldn't say either way. I believe the numbers show the existing program has had some effect, but beyond that, parts marking has never been tried in the way that I propose to do it, a way that will work. First, law enforcement groups insist that for the program to work, all cars have to be marked. The way it is now, cops in the field can't tell which parts are supposed to be marked and which aren't. Second, and most important, my bill brings repair shops into the law enforcement system. The key moment in an auto theft cycle is when a part from a stolen car is sold from a chop shop to a legitimate repair shop, to be put in a customer's car. That moment is when the thieves get the profit that fuels the entire auto theft industry. My goal in this bill is to stop that transaction. The process will be simple: Before a repair shop sells or installs a used part with an ID number on it, the shop calls a toll-free number set up by the FBI and reads the number to the operator, who then checks it against the FBI's stolen car database. If the part is stolen, you can't sell it. This system will make the parts marking program truly effective in a way that it admittedly has not been so far.

You may hear other objections as well. The auto manufacturers are concerned about the cost of parts marking. But the truth is that parts marking is an extremely cost-effective way to fight auto theft. At a hearing before my subcommittee, Tom Hanna, who will testify here today, put the cost of the current program at \$6 per car. The average car owner pays more than that in a single year for the auto theft portion of his or her insurance premiums.

The only way my bill would increase the per-car cost of the program is by adding a requirement that the vehicle ID number be etched on the car's windows. I proposed this after seeing the results of window-etching experiments conducted by the Kentucky State Police and by the State Farm Insurance Company. These studies proved window-etching to be an extraordinarily effective crime prevention technique. In fact, the Department of Transportation's response to Chairman Dingell's questions about this bill states that window-etching is an effective theft deterrent. The more forward-thinking manufacturers apparently realize this. I understand that Nissan is now going to be etching the windows of its entire 300-ZX model line—because they are trying to provide their customers with the most effective deterrent possible. And the company that is producing Nissan's etching system estimates that a manufacturer's entire output could be marked for under \$3 a car.

So I hope the manufacturers will reconsider their opposition to the marking program. I recognize that they have to put their shareholders' interests first, and I understand that any cost raises a red flag. But frankly, Madam Chairwoman, I do not understand the manufacturers' position in this case. Mr. Hanna also testified that if the program worked, it would be well worth the cost—but that he doesn't believe it will work. Well, I respect Mr. Hanna's opinion, but every law enforcement group—the people who deal with this every day—says that parts marking will work. And as I discussed before, this bill is a vast improvement on the current program. It gives the parts marking idea a real chance to have an impact. Even if you're only looking at the auto manufacturers' bottom line, this bill makes sense when you consider that a large share of the manufacturers' profits comes from the sale of replacement parts. I would think they would be first in line to support something that would reduce the competition they face from stolen parts.

This bill is the sort of legislation we were sent here to pass. It addresses a real problem that our constituents deal with every day. It offers not rhetoric, not partisan bickering, but concrete solutions that will have an impact. The inability to pass bills like this one is what makes people hold Congress in such low regard. This is an opportunity to prove that Congress is not a gridlocked institution, not hostage to special interests, but is a legislative body that identifies problems and tries to solve them. I hope you will join me in supporting it.

Finally, Madam Chairwoman, I understand that a number of law enforcement groups asked to testify today, but time constraints prevent their testimony. I would like permission to place in the record letters endorsing my bill from a number of law enforcement groups, including the Fraternal Order of Police, the International Association of Auto theft Investigators, and the National District Attorneys Association.

Thank you again for the opportunity to testify.

INTERNATIONAL ASSOCIATION OF AUTO THEFT INVESTIGATORS,
March 27, 1992.

Hon. CHARLES E. SCHUMER,
Committee on the Judiciary,
Washington, D.C.

DEAR CONGRESSMAN SCHUMER: Our association has reviewed H.R. 4542, and completely supports the proposed legislation.

Our association was founded in 1952 and consists of 2,200 auto theft investigators from Federal, State and local law enforcement agencies, plus agents from the local law enforcement agencies, plus agents from the National Insurance Crime Bureau (NICB) and members from the private sector including insurance companies and car manufacturers. We have continuously supported legislation which would help to identify and recover stolen vehicles and reduce the auto theft incidents.

Our association supported the Auto Theft Act of 1984 which was initially introduced in Congress in 1976 by Senator Percy from Illinois. We, however, were dismayed by the "water downed" final product which was passed.

The Auto Theft Act of 1992, with its emphasis on title II of the bill to not only require parts marking to all new passenger vehicles including vans and pickups and requires motor transmission stampings, but additionally insists on the used parts verification prior to installation. This strong section of the bill reestablishes the original intent of the 1984 Act. This should be a great aid to all our auto theft investigators in locating and identifying stolen vehicles and the vehicle parts. It should be noted, however, that this section while it includes stamping on the motor and transmission did not include the stamping on the main body of the vehicle, and it is hoped that this will be included in the bill at a later date.

The other sections of the bill, including the increasing of the penalties and the helping to establish networks between various State motor vehicle administrations to reduce vehicle title fraud are very outstanding features of the bill. The final section of the bill with regard to the exports of vehicles should help reduce this ever increasing problem.

It is hoped that this outstanding legislation is passed as written with only minor modifications.

Our association applauds the efforts of your office in formulating and introducing this bill and working for its final passage.

Sincerely,

DANIEL F. RYAN, *President, IAATI.*

NATIONAL DISTRICT ATTORNEYS ASSOCIATION

RESOLUTION—MOTOR VEHICLE THEFT

WHEREAS, automobile theft has increased dramatically in recent years throughout the United States; and

WHEREAS, more than 1.6 million vehicles were reported stolen in 1990, an increase of 34 percent since 1986; and

WHEREAS, nearly one in fifty American households experienced a completed or attempted theft last year; and

WHEREAS, automobiles worth an estimated total of \$8-\$9 billion were stolen in 1991, accounting for more than half the value of property lost to crime; and

WHEREAS, this epidemic of auto theft is profoundly dispiriting to many citizens because they cannot park their car on a public street without fear it will be stolen before he or she returns;

THEREFORE, BE IT RESOLVED THAT the NDAA supports the following policies:

1. Federal penalties for transportation of stolen motor vehicles across State lines after an armed car-jacking.

2. Increased Federal penalties and civil and criminal forfeiture sanctions against persons convicted of altering or removing a motor vehicle's identification number; exporting or importing a stolen automobile; armed car-jacking; transporting stolen vehicles interstate; or possessing or selling a stolen vehicle that has moved interstate after a theft.

3. Improved national data collection to combat automobile title fraud.

4. Development of a national theft prevention standard by the U.S. Department of Transportation requiring manufacturers to inscribe each automobile's vehicle identification number (VIN) on the engine, frame, transmission and other major parts, and providing appropriate standards for replacement parts.

5. Development of a national stolen auto part information system.

6. Federal funding for grants to State and local law enforcement to improve the investigation and prosecution of auto theft.

Adopted by the Board of Directors on July 18, 1992.

GRAND LODGE FRATERNAL ORDER OF POLICE,
April 17, 1992.

HON. CHARLES E. SCHUMER,
Chairman, Subcommittee on Crime and Criminal Justice
Washington, D.C.

DEAR CHAIRMAN SCHUMER: During our National Conference in August 1991, we passed a resolution urging Congress to take action on a VIN identification system to be used on major auto parts. See enclosed resolution.

As the elected president of the largest police organization in the United States having over 236,000 full time law enforcement officers and in compliance with our Resolution No. 17, I am writing to express our support of H.R. 4542, which is the Anti-Car Theft Act of 1992.

We fully endorse each of the bill's four titles. Any steps taken to impede and hopefully stop chop shops, illicit trade in stolen auto parts, increase the penalty for auto theft, and creating the crime for armed carjacking a clearinghouse to assist DMV's in detecting fraudulent ownership documents is certainly in our opinion a step in the right direction to deter auto theft. Hopefully, it will assist not only in securing a major purchase item, but will lead to lower insurance rates for our citizens as well.

The Grand Lodge Fraternal Order of Police wishes to commend you and Congressman Sensenbrenner for introducing H.R. 4542 and we stand ready to assist in the speedy passage of this important legislation.

Sincerely,

DEWEY R. STOKES, *National President.*

Resolution No. 17

WHEREAS: Motor vehicle theft is a serious national problem affecting all areas of our country and costing citizens more than \$7 billion annually, and

WHEREAS: The National Fraternal Order of Police represents over 225,000 police officers who are dedicated to the protection of property and the apprehension and prosecution of criminals engaged in vehicle theft, and

WHEREAS: Virtually all motor vehicles are currently required to have a basic vehicle identification number (VIN), and

WHEREAS: Many motor vehicles are protected by the current theft prevention standard and provision for VIN marketing of major parts under the Motor Vehicle Theft Law Enforcement Act of 1984, and

WHEREAS: The detection of vehicle theft, and the apprehension and prosecution of those engaged in vehicle theft crimes, is substantially aided by the existence of VIN markings on vehicles and parts.

NOW, THEREFORE BE IT RESOLVED THAT: the National Fraternal Order of Police here assembled in Pittsburgh, PA., for the Fiftieth Biennial Conference of this order urge that all motor vehicles be protected by an expanded, universal application of the Theft Prevention Standard and upgraded requirements for VIN marking of major parts, and further

Resolved, that the existing exceptions from the Theft Prevention Standard, such as for certain lower theft rate vehicles or vehicles with approved anti-theft devices, be eliminated as antithetical to effective law enforcement, and further

Resolved, that the National Fraternal Order of Police urges all interested parties to join in support of the necessary Federal legislation and regulatory activity to expand and upgrade the VIN marking requirements, and to actively encourage their Congressional representatives to act to improve this important aid to crime prevention and detection, and to support stepped up enforcement and prosecution against those involved in theft, disassembly, and sale for profit of stolen vehicle components, and

Finally Resolved, that a copy of this resolution be forwarded to the Chairman of the House and Senate Commerce Committees.

IN WITNESS WHEREOF, we have subscribed our names and affixed the Seal of the Grand Lodge, Fraternal Order of Police, adopted this 14th day of August, 1991, at Pittsburgh, PA.

DEWEY R. STOKES, *National President*

April 28, 1992.

HON. CHARLES E. SCHUMER, Chairman,
HON. F. JAMES SENSENBRENNER, Ranking Republican Member,
Committee on the Judiciary,
Subcommittee on Crime and Criminal Justice,
Washington, D.C.

DEAR CONGRESSMEN SCHUMER AND SENSENBRENNER: We, the undersigned law enforcement organizations concerned about automobile theft, write in support of H.R. 4542, the Anti-Car Theft Act of 1992.

We fully endorse each of the bill's four titles. Title I would stiffen the Federal penalties for auto theft and would create a new crime for armed carjacking. We believe these penalties are needed. Title I would also provide Federal assistance to State and local Anti Car Theft Committees. We believe that these committees are extremely successful in combatting auto theft and should be encouraged.

Title II of the bill would assist State Departments of Motor Vehicles in preventing motor vehicle title fraud. The information clearinghouse established by the bill would enable DMV's to detect fraudulent proof-of-ownership documents before issuing new titles based on such documents. We are pleased to join the American Association of Motor Vehicle Administrators in supporting this provision.

We believe that title III of the bill, which aims at stamping out chop shops and the illicit trade in stolen replacement parts, is a critically important measure. The bill would extend the current parts marking program to all automobiles, including passenger vans and light trucks. Our membership has found parts marking to be a valuable tool in law enforcement, and we believe that a full-scale program will be much more effective. We also support making auto repair shops responsible for not using stolen parts. Finally, we also endorse title IV of the bill, which would strengthen law enforcement against the export of stolen motor vehicles.

We commend you for introducing H.R. 4542 and we urge its speedy passage.

Sincerely,

FEDERAL LAW ENFORCEMENT OFFICERS ASSOCIATION
FRATERNAL ORDER OF POLICE
INTERNATIONAL ASSOCIATION OF AUTO THEFT INVESTIGATORS
INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE
INTERNATIONAL BROTHERHOOD OF POLICE OFFICERS
NATIONAL ASSOCIATION OF POLICE ORGANIZATIONS
NATIONAL ORGANIZATION OF BLACK LAW ENFORCEMENT EXECUTIVES

Mrs. COLLINS. Thank you. The time of the gentleman has expired. You mentioned that there is a group that is not amenable to spending as you say the \$4 or \$5 to check to see whether or not parts have been stolen.

Many times when an automobile has been stolen, it is the insurance company that is very interested in seeing that the car is returned, because they are the ones who stand to lose the most money. Is it possible that you could have your bill fashioned in such a way that the insurance company would bear that expense rather than the automobile repair guy?

Mr. SCHUMER. It seems to me, Madam Chairwoman, I went and I asked the people in the Motor Vehicles Association if someone else would pay for it, either the government, and I would disagree with Mr. McMillan. I think \$60 million, if it helps reduce car thievery by several billion dollars, is well worth the cost and everyone, liberal, conservative, Democrat, Republican, would ask us to spend—

Mr. McMILLAN. If the gentleman would yield, I didn't suggest that it wouldn't.

Mr. SCHUMER. I understand that. I am just saying that the cost alone should not stand in our way. You had mentioned the \$60 million.

But we asked them, let's say there was another source for funding the bill, would you then support it? They said no.

Mrs. COLLINS. So not under any circumstances would they support it at this point?

Mr. SCHUMER. That is what they said to me. Maybe they have changed their minds now.

Mrs. COLLINS. Well, automobile theft is our Nation's number one property crime problem. It has increased 34 percent between 1986 and 1991 and it accounts for 50 percent of the value of all property that is lost to crime. I am happy to have you testify before us today, Mr. Schumer, on behalf of your bill, because I know that it is intended to deter this very crime that we are talking about.

We all want the parts marking and other programs of the Federal Government to work effectively, and I will do all that I can to see that these programs do. But, auto theft has changed so dramatically in recent years that one wonders which way to go on this thing. Can you tell us if any other groups have decided that they cannot support your legislation?

Mr. SCHUMER. I am not aware of any others.

Mrs. COLLINS. So only that one group has been adamant about not supporting your legislation?

Mr. SCHUMER. That is correct. I would ask unanimous consent—maybe some people have contacted my staff and I will submit to the record anybody else who has, but I am not aware of that.

Mrs. COLLINS. Thank you. Mr. Sharp, I want to compliment you for your determined efforts on behalf of the people that are employed in the U.S. automobile industry. I believe that identifying the domestic content of vehicles that are sold here would strengthen America's automobile industry by giving the consumers the kind of information that they think they want.

I for one buy American and I do so because I believe in the fact that we ought to support American industry. I only have one question for you, and that is, in effect, wouldn't your bill simply require that manufacturers disclose to consumers the same information concerning domestic content that they are already required to calculate under the fuel economy law?

Mr. SHARP. That is right, Madam Chairwoman. We deliberately picked the methodology that is in existence so it doesn't require new bureaucratic activity, doesn't require new expenditures on the part of the company, and yet can give us very quickly information that can simply be put on the label of the car.

Then it is the consumer's choice. But we know a number of consumers like you just do, you as a consumer, and we in our family,

will make the choice we hope for the purchase of that American-made car. And I might say, those cars, vans and trucks today are substantially improved in quality, if I can put in a plug for our folks that are doing the work on them, because they know they have to compete in a very tough market.

Mrs. COLLINS. Thank you, Mr. McMillan.

Mr. McMILLAN. Thank you, Madam Chairwoman. I would like to suggest to the gentleman from New Jersey that his——

Mr. SCHUMER. New York. It is across the Hudson River.

Mr. McMILLAN. Your testimony would be more persuasive to this gentleman if you would refer to me as the gentleman from North Carolina, instead of South Carolina.

Mr. SCHUMER. Got me. Two points.

Mr. McMILLAN. And I hope your assessment of the situation is more accurate than that. This is an old problem. I think it has reached extraordinary magnitude. My first experience with auto theft and chop shops probably occurred in your district.

Mr. SCHUMER. You mean in New Jersey, don't you, Mr. McMillan?

Mr. McMILLAN. No. I was chief financial officer for a corporation——

Mr. SCHUMER. The gentleman means in New Jersey.

Mr. McMILLAN. Part of it was in New Jersey but this was a salesman who was over in Brooklyn and he parked his car to make calls one day, and I was in charge of insurance responsibilities, and the car disappeared and we reported to the insurance company that the car no longer existed. Well, the lawyers for the insurance company said, we can't pay because there is no corpus delicti. He literally could not find enough parts to solve the problem. So I am not suggesting that there is not merit in what you are proposing.

In fact, I think there probably is a lot of merit if it can be done in a cost effective manner, and we can dismiss this \$50 million and that \$50 million, and the question is whether it is really going to work and whether we are imposing a cost on the profit center, which I think you have identified as being the purchase of the used part, who puts it to work and sells it, and maybe they buy that at a discount to a normal competitive product.

And that is where we need to focus. So all I want to try to do in this hearing is satisfy myself that it can be done in a cost effective way, we deal with the cost of it responsibly, and it may be that we can do that.

Mr. SCHUMER. All I would say, and I very much appreciate the gentleman from North Carolina's concern, the major cost in here of the \$60 million that the gentleman correctly assesses the bill would cost very little is title III. It is estimated that it would cost the Federal Government only about \$3 million to implement title III which involves just setting up the call-in number and all of that. The greater cost is we do provide grants, because this is a comprehensive bill, we do provide \$10 million a year in grants to the States to try and deal with this issue.

Mr. McMILLAN. Are there any mandates in the bill to the States?

Mr. SCHUMER. The one mandate is they participate in the system of the parts marking.

Mr. McMILLAN. No cost then transferred to the States to implement the law?

Mr. SCHUMER. Well, on net, no, the States do not get a cost. They have some costs, but they get some money that reimburses them for it.

Mr. McMILLAN. I know it sounds good to declare something a Federal offense and probably you have been on the other side of some of those issues in other matters. Why do you think in this case making it a Federal offense would strengthen the efforts to deal with the problem?

Mr. SCHUMER. Well, and the gentleman, once again you ask a very good question. As chairman of the crime subcommittee, we have to deal with this issue all the time. You can imagine all the bills we get to make some things a Federal offense.

There are generally a few reasons. One is if the crime has interstate implications. This one does in a variety of ways because oftentimes the stolen cars and even the stolen parts are sent across State lines, the vehicle manifolds, et cetera. The second question is, and this again would relate in another way, do the States need some help? Are they up to the job in doing it, or could there be some kind of Federal help? In this area, I believe they could.

You also have the third area. You have an underworld component working in the chop shops, and not in all parts of the country, but in many parts of the country, the chop shops are run by underworld organizations.

Mr. McMILLAN. You mean there are some chop shops that are not run by members of the underworld?

Mr. SCHUMER. OK, there may be some. I don't want to make a blanket statement, but the Federal Government has proven in most cases more effective in dealing with organized crime.

Mr. McMILLAN. Well, I take your efforts seriously and I will try to find a way to support it.

Mr. Sharp, you know, I think it is important that products we buy, people understand where they came from. I think it is also important to understand who made them.

I would almost rather see us have the signature of those who assembled an automobile on the vehicle, which I think would have a more positive effect than trying to track the parts in what has become, whether we like it or not, a global automotive market in which many of our so-called domestic producers are using high percentages of foreign parts and vice versa. We hope vice versa. So I— if we can find a way to do this thing in a fairly inexpensive manner, maybe it has some merit.

I haven't made up my mind about it. I am curious that one of the interest groups concerned about domestic content or domestic produced car apparently published a list of cars that were OK, which did include a foreign-named vehicle on it that was bought by a good friend of mine that was assembled in Indiana.

Mr. SHARP. Well—

Mr. McMILLAN. Some of these things can really get—

Mr. SHARP. That is why labeling becomes important, because there can't be such games played and because the data is already collected and submitted to the Federal Government. The companies have it available to them and so we already have a situation where

we are not imposing a new cost or a new procedure. The only new procedure would be the sticker itself. They already have the stickers. They already have some of the information printed on the sticker so we are just asking for some additional information.

Mr. McMILLAN. Some of the cars produced by this named maker, some are assembled in the United States, some are not.

Mr. SHARP. I perhaps misled you a little bit with my first point being where the point of assembly is. Because you do have the city of assembly. You don't have the name of the country that the city is in, but the more significant part is the percentage that is based in the United States. That is what I think is the key here.

Mr. McMILLAN. Would you include, though, assembly, the cost of assembly as part of the—

Mr. SHARP. Yes, absolutely. That is a part of the percentage. It is based on the value, the percentage of what the costs are and where those costs came in the process, so if 50 percent of the car is imported, then that is what the car will show, only 50 percent was American.

So it will be based upon the value that is already collected information, then the consumer can decide whether a foreign name plate has a very high American content. That is already the case in some cases, and there are American name plates that no longer have high American content, so all the companies worldwide will have to adjust to the fact of where the American consumer will decide—where he or she will spend their dollars.

A lot of the American consumers say I don't know what comes from where anymore on many products, but especially on that, and because it is such a big purchase and so much money is involved, I think it is well worth having this information available.

Let me just raise a separate—we have transplant assembly plants in this country that do hire Americans. We don't want in any way to discriminate against them. They will not be discriminated against. But we will know about 30 percent or 70 percent of the vehicle that comes out of that assembly plant actually comes from in the United States and the consumer will have that information available to them.

Mr. McMILLAN. Do you oppose the notion of doing it individually by vehicle?

Mr. SHARP. Well, I—

Mr. McMILLAN. Because if a company is doing an effective job, they may be using alternative supplies depending upon costs and availability and the—

Mr. SHARP. You can run into some variation on that very clearly. We try to take a system that was known, in place, we think is strongly accurate, but if we can accurately do that without a whole new layer of problems, I am not opposed to that. It is just that we wanted to build on something that is there.

Mr. McMILLAN. So somebody walks in and says, I want to buy Chrysler, you got it here on the floor. They will say, what, yes, we have got some 50 percent domestic content ones. They say, well, do you have any 60 percent coming, I would like to buy one of those.

Mr. SHARP. It will be by model. Chrysler has several models and this model is the one. The consumer may raise that. If the consumer does, I have a hunch that the dealer is going to tell that sup-

plier: I have got people asking for 60 percent content, and I have a hunch that will lead to other decisions that will be of value to American workers.

Mr. McMILLAN. OK. Thank you very much for your suggestion and testimony.

Mrs. COLLINS. Mr. Upton.

Mr. UPTON. Thank you, and thank you, both of my colleagues for their testimony. Just briefly, Mr. Sharp, I like the concept of your bill and I certainly intend to support it as it works through the process.

Mr. SCHUMER—

Mr. SCHUMER. Ditto for me, I presume.

Mr. UPTON. We will see. Auto parts, we make a lot of them in my district. Chances are the mirror in your car, whether it is—I don't know what car you drive.

Mr. SCHUMER. Ford Taurus. Good car. It is a very good car.

Mr. UPTON. It is probably made in my district, and auto parts cost a lot.

Mr. SCHUMER. We have two of them actually, two Ford Tauruses.

Mr. SHARP. This is sounding better all the time.

Mr. UPTON. Chalking them up. And I think you were with us when a—a good number of us, including the Chair, went to Detroit last year. You didn't go. Well, it was a good trip. You missed a good trip. Have you ever been to an automobile assembly plant?

Mr. SCHUMER. Yes, I have, one that is going to close in Tarrytown, NY.

Mr. McMILLAN. Have you ever been to a chop shop?

Mr. SCHUMER. A more relevant question.

Mr. McMILLAN. Not an underworld chop shop.

Mr. SCHUMER. No. I have seen them. I have seen them. As you say, there are many in my district over in New Jersey.

Mr. UPTON. We have got a lot of part suppliers and I know—we all know that as you need to replace parts, and I have not done it yet, but we need to replace a back tail light for my Chrysler minivan, and when I took it in for the service, I said, by the way, can you look at that piece there that is broken? And \$80 is what the cost was for the tail light. We are still driving without it as we are looking for another way—

Mr. SCHUMER. I won't tell law enforcement officials.

Mr. UPTON. It is OK. We don't have inspection yet. Anyway, car parts cost a lot, and I introduced—as I was thinking about my questions for you this morning, this weekend I introduced my daughter to "I Love Lucy" and we watched an old rerun over the weekend. She is almost 5 years old and we watched the one, you may have seen it, of the—wrapping the chocolate. The chocolate coming down the line and she is trying to wrap the chocolate and sticking them everywhere that she can, and as I go to an automobile manufacturing facility, and I have done it a number of times, I can just imagine the poor UAW workers trying to put on the \$80 tail light assembly or the mirror which costs quite a bit when you get it replaced, all these parts, and who is going to keep track of them and how are they going to possibly match them all up?

Mr. SCHUMER. OK, it is a good question. This bill—

Mr. UPTON. It is not going to be—

Mr. SCHUMER. No, no. This bill would not have been possible.

Mr. UPTON. I mean, I support all the law enforcement provisions. I have a question for that.

Mr. SCHUMER. This bill would not have been possible several years ago. In fact, it probably wasn't. I would have to check with my staff, possible when the original parts marking bill was passed, but there is a new technology that has been developed by—I wish I could say it was a company in your district, but—maybe it is, 3M, Minnesota Mining and Manufacturing, which—I am not an expert on how it works, but allows a indelible number to be stamped, not by a worker, I imagine, but by some kind of machine, on each of the relevant parts, and it is indelible. It can't be taken out. It is cheap, and that is what has made this bill possible and that is how it is done. I don't think it is going to affect the workers themselves. It is just when the part is stamped, it is also going to have this little number stamped too.

Mr. UPTON. So it would be done at the assembly facility. It wouldn't be done by the parts supplier?

Mr. SCHUMER. Correct.

Mr. UPTON. The Justice Department apparently has, looking at the enforcement, has sort of taken the view over history and probably now again that auto car thefts are more of a State and local matter. How does this change their view?

Mr. SCHUMER. I am sorry. Would you—

Mr. UPTON. I think that your bill assumes that the Justice Department is going to enforce this as a national statute. Do you know, is the Justice Department opposed to your bill?

Mr. SCHUMER. No, I do not believe they are opposed to my bill.

Mr. UPTON. Does this change the jurisdiction matter by making it a Federal crime from State and local?

Mr. SCHUMER. It doesn't abnegate the State and local crimes, but just on car hijacking, which is the most heinous and what we had to deal with, it would add an additional Federal crime.

Mr. UPTON. It has been my understanding that a number of States, a couple of them perhaps—

Mr. SCHUMER. Excuse me. It would not for regular auto theft where it wasn't involving a person, but just stolen car parked on the street or whatever, it would not make that a crime at all.

Mr. UPTON. It is my understanding that the DOT, I think, has done a study in terms of theft of cars, whether they are marked or unmarked, in terms of their impact on the chop shop market. It is my understanding that this study has shown it is insignificant whether they are marked or unmarked cars. I note various advertising that is out there, whether it be—and I guess in the horseshoe today we have got a number of cars showing some advanced anti-theft devices. We see advertisements about, quote, "The Club".

Mr. SCHUMER. I have two of those, too. We have two Ford Taurus. But you know, the auto thieves really are pretty smart. What they do with the Club when they want to get around it, and I mean it has been written up so I am not giving away any secret, is they carry a bottle of freon. They freeze it and take a sledgehammer and whack it and break it.

Mr. UPTON. So it is not worth the \$60 investment?

Mr. SCHUMER. Well, my cars haven't been stolen with them on them, but I think it—I don't know if it is worth it or not. All I am saying is a dedicated car thief can get around most, if not all, of the auto theft devices and that is what law enforcement has found out.

Mr. UPTON. Thank you.

Mr. SCHUMER. Thank you, Mr. Upton.

Mrs. COLLINS. We thank both of you gentlemen. We know you have very, very busy schedules, but we thank you for taking the time to tell us about your bills which everybody here has said have great merit, and we hope that this Congress will be able to do something about this.

Thank you very much.

Our next witness will be Paul Jackson Rice, who is Chief Counsel for the National Highway Traffic Safety Administration. Won't you come forward, please, Mr. Rice.

STATEMENTS OF PAUL JACKSON RICE, CHIEF COUNSEL, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY BARRY FELRICE, ASSOCIATE ADMINISTRATOR FOR RULEMAKING; AND JOHN C. KEENEY, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE, ACCOMPANIED BY ROGER ADAMS, ATTORNEY

Mr. RICE. Thank you, Madam Chairwoman, and members of the subcommittee. I am pleased to appear before you today to present the views of the Department of Transportation on the bills that you requested. With me at the witness table is Barry Felrice, the National Highway Traffic Safety Administration's Associate Administrator for Rulemaking.

Also, because of the interest of this committee in title I of H.R. 4542 concerning robbery and attempted robbery of motor vehicles and making that a Federal offense, I would like to mention that Mr. John Keeney, the Deputy Attorney General for the Criminal Division, Department of Justice, is also with us, and concerning title IV, we have Don Gilman, Congressional Liaison for Customs, also present with us.

Mrs. COLLINS. Thank you.

Mr. RICE. In 1984 Congress enacted the Motor Vehicle Theft Law Enforcement Act and the following year NHTSA issued a motor vehicle theft prevention standard. The theft prevention standard, which took effect for designated high theft lines in model year 1987 and adds about \$4.53 to the annual cost of each of the 3.7 million cars to which it applies. In March of 1991 and again in April of 1992, at the request of Congress, we submitted reports concerning the theft laws. Our main conclusion was that the available data were inadequate and inconclusive to determine whether the standard's parts marking requirements were effective in reducing theft. We decided it would be premature and costly to extend parts marking to other classes of vehicles or to cover more passenger motor vehicles.

We also proposed to continue monitoring the program concerning parts marking to determine whether future data may provide a more definitive assessment of the program's effectiveness.

Now, the reports have a direct bearing on H.R. 4542. Title III of H.R. 4542 would make major revisions to the motor vehicle theft prevention title. It would require motor vehicle and motor vehicle parts manufacturers to inscribe or affix motor vehicle identification numbers and markings on major parts and major replacement parts for all passenger cars and light trucks.

The Department strongly opposes title III. The proposed increase in the coverage of the parts marking standard would impose costly requirements without any evidence of being effective. Before imposing any new responsibilities on the manufacturers and new costs on consumers, we believe we should first prove the effectiveness of the existing parts marking program, and that, based upon our reports and what we have observed, just is not the case.

We also strongly object to the bill's proposed repeal of the exemption provided manufacturers for installing anti-theft devices. While we do not have data providing evidence of the effectiveness of parts marking, we do have data from one manufacturer indicating that anti-theft devices can be extremely effective in reducing theft.

Now I would like to turn to H.R. 4220, H.R. 4228, and H.R. 4230, the three bills that would require manufacturers of new automobiles sold in the United States to affix labels on these vehicles describing their domestic content. The Department opposes these bills for several reasons. First of all, the three bills unjustifiably single out a particular industry, the automobile industry, for content labeling.

Whatever rationale there might be for labeling would presumably apply in equal measure to the full range of consumer goods. Second, the bills would not allow sufficient time for implementation. One bill even is effective with model year 1993, for which as you know, Madam Chairwoman, there are vehicles already on the road. Only one bill, Mr. Sharp's bill, considers automobile components produced in Canada as being domestically produced for purposes of the labeling requirements and of course this would create problems with the other two bills pertaining to counting what is domestic under our corporate average fuel economy standards.

And finally, regardless of the possible merits of such labeling regulations, we do not believe the Department of Transportation is the appropriate Agency to implement them. The Department currently has no related activities or expertise in the area and would not be provided any additional resources to obtain knowledgeable financial or trade experts to implement or enforce such regulations.

In these times of tight budgets we would be forced to divert scarce resources from our vehicle safety programs to implement this program.

Madam Chairwoman, this concludes a summary of my remarks. I would respectfully request that the 1991 and 1992 reports accompany my testimony as part of the record.

Mrs. COLLINS. Without objection, they will be made a part of the record. Thank you.

[Testimony resumes on p. 146.]
 [The prepared statement and April 1992 report referred to of Mr. Rice follow. The 1991 report is retained in subcommittee files.]

STATEMENT OF PAUL JACKSON RICE, CHIEF COUNSEL, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Madam Chairwoman and Members of the Subcommittee: I am pleased to appear before you today to present the views of the Department of Transportation on H.R. 4542, the "Anti-Car Theft Act of 1992," and on H.R. 4220, H.R. 4228, and H.R. 4230, three bills that would require new automobiles to have labels describing their domestic content. With me at the witness table is Barry Felrice, the National Highway Traffic Safety Administration's [NHTSA] Associate Administrator for Rulemaking.

Before discussing H.R. 4542, I would like to mention the legal basis of the Department of Transportation's responsibility in the area of motor vehicle theft.

In 1984, Congress enacted the Motor Vehicle Theft Law Enforcement Act, a law to reduce motor vehicle theft and facilitate the tracing and recovery of stolen motor vehicles and stolen motor vehicle parts.

In accord with the Theft Act, in 1985 NHTSA issued a motor vehicle theft prevention standard, requiring manufacturers of designated "likely high-theft lines" of passenger cars to inscribe or affix vehicle identification numbers or symbols on original manufactured parts and replacement parts for those lines. The theft prevention standard, which took effect for designated high-theft lines in model year 1987, adds about \$4.53 (in 1992 dollars) to the annual cost of each of the approximately 3.7 million cars to which it applies.

In March 1991, in accord with the Theft Act, the Department submitted a report to Congress on the effects of the Act. One of the March report's main conclusions was that the available data were "inadequate and inconclusive" for determining whether the theft prevention standard's parts-marking requirement was effective in reducing theft. Based on this conclusion, the Department reported it would be "premature and costly" to extend parts marking to other classes of motor vehicles or to cover more passenger motor vehicles.

In April 1992, at the request of Congress, NHTSA submitted another report on motor vehicle theft. The purpose of this report was to identify and evaluate methods by which motor vehicle manufacturers and others can make vehicles more resistant to theft. In the area of Federal action, the report supported the finding of the March 1991 report, and concluded that "additional data are still insufficient to reach a firm conclusion on the effectiveness of parts marking in reducing theft." The report proposed continued monitoring of the current parts-marking program to determine whether future data may provide a more definitive assessment of the program's effectiveness.

These reports have a direct bearing on provisions in H.R. 4542 that would affect the Department's motor vehicle theft program. Title III of H.R. 4542 would make major revisions in the motor vehicle theft prevention title of the Motor Vehicle Information and Cost Savings Act. It would significantly broaden the parts-marking requirements of the current law, by requiring motor vehicle and motor vehicle parts manufacturers to inscribe or affix vehicle identification numbers or markings on the major parts and the major replacement parts of all new passenger cars and light trucks.

The Department strongly opposes title III. The proposed increase in the coverage of the parts-marking standard would impose costly new requirements without evidence that they will be effective. The existing law applies only to passenger cars in designated high-theft lines. The proposal requires parts-marking for all automobiles, including light trucks.

Before imposing any new responsibilities on the manufacturers and new costs on consumers, we believe there should first be proof of the effectiveness of the existing parts-marking program. However, proof of effectiveness of the existing program is exactly what is missing. As I mentioned earlier, both our 1991 and 1992 reports on the Theft Act concluded that the data are insufficient to reach a firm conclusion on the effectiveness of parts marking in reducing theft. Therefore, the Department continues to believe it would be premature and costly to extend parts marking to cover all automobiles, as title III proposes.

We also strongly object to the bill's proposed repeal of the exemption provided manufacturers under the Theft Act, allowing them to petition the Department to allow high-theft lines to be exempted from the theft prevention standard. This exemption encourages the use of antitheft devices that can be shown to be at least as

effective as parts marking in deterring theft. While we have no data providing evidence of the effectiveness of parts marking, we do have data from one manufacturer indicating that antitheft devices can be extremely effective in reducing theft. Repealing this exemption, therefore, would remove the incentive manufacturers currently have to develop and install effective antitheft devices.

We also object to title II of H.R. 4542, which would require the Secretary of Transportation to establish, by January 1, 1996, a "National Motor Vehicle Title Information System" (NMVTIS) to give a State the ability to check, by electronic means, the motor vehicle files of another State to determine the validity of a vehicle title issued by that State.

State participation in the NMVTIS would be voluntary. However, on October 1, 1995, a State electing not to participate would have 5 percent of certain of its Federal highway construction funds withheld.

The Department strongly opposes these provisions. The proposed NMVTIS would unnecessarily duplicate an existing electronic system, the National Law Enforcement Telecommunications system (NLETS), a "not for profit" corporation funded by its users—law enforcement agencies across the Nation. The States currently use the NLETS, which links each State's law enforcement information system to sister systems in every other State, to exchange information on the titling of motor vehicles.

The Department also strongly opposes any sanction for States that do not "voluntarily" participate in such an information system, especially the provision to withhold a State's Federal highway construction funds—funds which have no relation whatsoever to automobile title fraud. All 50 States now participate voluntarily in the NLETS.

Now, I would like to turn to H.R. 4220, H.R. 4228, and H.R. 4230—the three bills that would require manufacturers of new automobiles sold in the United States to affix labels on these vehicles describing their domestic content.

The Department opposes each of these bills for several reasons. First, all three bills unjustifiably single out one industry—the automobile industry—for content labeling. Whatever rationale there might be for such labeling would presumably apply in equal measure to the full range of consumer goods.

Second, the bills would not allow sufficient implementation time. H.R. 4228's effective date of model year 1993, in particular, would be impossible to meet, as several 1993 model-year vehicles are already available for sale and others will be ready within 1 month. The proposed timetables would also place such rulemaking at the top of the Agency's priority list, ahead of important safety rulemakings.

Third, only H.R. 4220 would consider automobile components produced in Canada to be domestically produced, for the purpose of the labeling requirements. Since Canadian automotive production is counted as "domestic" when a manufacturer calculates automotive content under the corporate average fuel economy law, U.S. and Canadian automobile companies have been encouraged by the law, as well as by various trade agreements, to integrate their production facilities.

Finally, regardless of the possible merits of such labeling regulations, we do not believe the Department of Transportation is the appropriate Agency to implement them. The Department currently has no related activities or expertise in this area, and would not be provided any additional resources to obtain knowledgeable financial and trade experts to implement and enforce such regulations. In these times of tight budgets, we would be forced to divert scarce resources from our vehicle safety programs to implement this program.

This concludes my prepared remarks. Mr. Felrice and I will be glad to answer any questions you might have.



U.S. Department
of Transportation
**National Highway
Traffic Safety
Administration**

Auto Theft-Resistance Study

April 1992

Evaluation of the Effectiveness of Specific Theft-Resistance Measures

The Senate and House Committees on Appropriations have directed the National Highway Traffic Safety Administration (NHTSA) to conduct a study to identify and evaluate methods by which vehicle manufacturers and dealers can make vehicles more resistant to theft. The Committees also requested that the study evaluate the effectiveness of specific theft-resistance measures. It should include an evaluation of benefits in terms of accident avoidance, insurance loss avoidance, and other benefits; an evaluation of costs; and an evaluation of technological feasibility. This study should include specific recommendations for manufacturers and dealers on steps they should take to reduce vehicle theft. The Senate and House Conferees have also requested that this report be expanded to include actions by others who have a significant role in reducing such thefts, including law enforcement agencies at all levels of government, and an assessment of the effectiveness of state automobile theft prevention programs.

This report responds to the request by the Senate and House. As requested, it attempts to identify and evaluate methods by which vehicle manufacturers, dealers, rental and leasing companies, insurance companies, the consumer, law enforcement agencies at all levels of government and others can make vehicles more resistant to theft. This report encompasses such antitheft methods as the Federally mandated parts-marking of vehicles,

standard equipped car lines with antitheft systems, and also addresses the aftermarket antitheft devices/systems that are currently available, from window decals being offered in a number of states and jurisdictions to the highly sophisticated tracking systems being used in a few areas. The information for this report was derived from NHTSA's own data, and from communications with the insurance community, the National Automobile Dealers Association, rental and leasing companies, the automotive industry, law enforcement agencies, and manufacturers of the automotive security products. Additionally, this report provides recommendations to further thwart motor vehicle theft.

For the vast majority of people, one of the largest purchases, after the purchase of a home, is a motor vehicle. According to the Uniform Crime Report for 1990, more than 1,600,000 motor vehicles were stolen in the United States in 1990. The total economic loss resulting from these thefts was over \$8 billion dollars, with an average dollar loss per vehicle stolen of approximately \$5,000. As these figures indicate, motor vehicle theft is a problem of large magnitude and affects many of us.

An auto theft occurs every 22 seconds in the United States. Motor vehicle theft increased 5 percent nationally from 1989 to 1990, and continues to be the crime reported at the highest rate, with three-fourths of these thefts brought to the attention of

the police by the victims¹. During 1990, the greatest number of motor vehicle thefts occurred during the months of July, August, and October and the least during February². Historically, motor vehicle thefts most often take place at night, between 12 midnight and 6 a.m.³

Consumers have become more aware of motor vehicle theft, because of its continual increase. Over 50 percent of the victims lose 1 to 5 days from work as a consequence of the theft.

As motor vehicle theft continues to rise, so will the demand for various antitheft safeguards. Antitheft devices encompass a wide range of effectiveness and cost. They run the gamut from the simple add-on systems requiring minimal physical effort for installation, to complex and sophisticated antitheft/recovery systems. The prices for these devices/systems also vary considerably, from approximately \$5 for parts-marking and \$35 for simple add-on devices to over \$1,500 for the complex sophisticated antitheft systems.

Unfortunately, there exists no simple "silver bullet" which can suddenly eliminate or significantly reduce auto theft. One

¹ DOJ; Bureau of Justice Statistics; Criminal Victimization 1990

² FBI; Uniform Crime Reports and National Crime Information Center

³ Ibid.

reason that no single fix can be universally effective is that there are various motives that lead to car theft, and each motive inspires a different breed of law-breaker. It is estimated that between 10 and 16 percent of all thefts occur in order that parts be removed and sold for profit (the so called "chop shop" operations). An additional 9 to 25 percent are believed to be related to insurance fraud and estimates of theft for export range from 4 to 17 percent⁴. In addition, theft of cars for joy riding is on the increase, particularly in the milieu of economically depressed urban areas. Other reasons for stealing cars include a need for transportation (often associated with other crimes) and a desire to obtain expensive stereo equipment (often for selling same to buy drugs).

Each of the chapters in this report discusses the steps which have already been implemented, and suggests further actions and recommendations to ameliorate auto theft in the future. Each section deals with a separate area where action is possible, e.g., Federal legislation, implementation of auto theft systems, other actions by automobile manufacturers, actions by automotive dealers, actions by rental and leasing companies, actions by the insurance industry, possible actions by State and community law enforcement, and action by vehicle owners/operators and community groups. Suggested improvements are included in each chapter and a summary of the various recommendations are given in the Conclusions and Recommendations section.

⁴ NHTSA; Report to the Congress - Auto Theft and Recovery - March 1991

II. FEDERAL LEGISLATION

Ever since the first few motor vehicles rolled off the assembly line, auto theft has been a major concern. In 1919, the National Motor Vehicle Theft Act was enacted. This Act was known as the "Dyer Act." It put into law a penalty for the crime of transporting a stolen motor vehicle(s) across a state line. Since then, the only significant Federal legislation which has been promulgated to deter vehicle theft is the Motor Vehicle Theft Law Enforcement Act of 1984.

The Motor Vehicle Theft Law Enforcement Act of 1984 (Theft Act; Pub. L. 98-547) added Title VI to the Motor Vehicle Information and Cost Savings Act. The Theft Act was designed to reduce the incidence of motor vehicle thefts and parts stolen from vehicles while minimizing the cost increase which the consumer would have to bear. Title VI required the Department of Transportation to complete promptly a series of rulemaking actions designed to mount an attack on motor vehicle theft. The Theft Act required the promulgation of a theft prevention standard; additionally it addressed criminal penalties; exportation of stolen vehicles; and comprehensive insurance premiums. Subsequently, all rulemakings required by the Theft Act have been promulgated.

A. Parts Marking

The issuance of the theft prevention standard requires that manufacturers inscribe or affix vehicle identification numbers or symbols on original manufactured parts of designated likely high-theft lines of passenger cars, and replacement parts for those lines. The following 12/14 parts are required to be marked: engines, transmissions, fenders (left and right), doors (two or four) rear quarter panels (left and right), bumpers, hood, decklid/tailgate or hatchback. Congress limited the standard to passenger cars only and it does not pertain to other classes of vehicles. This standard was initiated for Model Year (MY) 1987 and thereafter. For MY 1990, of the approximately 8,700,000 passenger cars produced, 3,600,000, or 41 percent, were designated likely high theft and were either parts marked or had installed as standard equipment an antitheft device. The parts-marking provision of the Act was designed to facilitate the tracing and recovery of parts from stolen vehicles. As such, these provisions will be effective only for eliminating some of the thefts that are motivated by chop-shop profit and have no effect on reducing thefts for other reasons, such as joy riding and insurance fraud. A comprehensive report to the Congress on the effects of the Theft Act (March 1991) concluded that the differences in theft rates between marked and unmarked cars (after applying an adjustment for trends which existed before parts marking was implemented) were statistically insignificant. The report went on to state that the relationship between car

theft claims and comprehensive insurance premiums is tenuous, thus preventing premiums from being a useful measure of effectiveness. Theft claims represent only a portion of comprehensive claims, and losses stemming from other types of claims may be considered in setting premium rates.

The March 1991 Report to Congress on the Theft Act did show that the theft rate of marked high-theft car lines increased by only 3.4 percent after parts marking whereas the unmarked low-theft car lines increased by 13.5 percent over the same period. But, as pointed out in that report, it was necessary to correct for the relative trends for these two types of car lines for the years prior to parts marking, and when that correction is made, the difference is not statistically significant. Since only one year has elapsed since the comprehensive report on parts marking was written, additional data are still insufficient to reach a firm conclusion on the effectiveness of parts marking in reducing theft. As the March 1991 report states, "high and low theft car lines represent different populations. Motives for stealing cars in high theft lines may differ from those leading to thefts in low theft lines. For example, joy riding or fraud may be more of a factor in one line than another. As a result of this, available theft data, which are not broken down by motives, provide only an imperfect basis on which to draw conclusions on the effectiveness of the Theft Act. This is true because the

is far more likely to affect thefts for profit than other types of theft."

Despite the fact that the effectiveness of the theft prevention standard cannot be ascertained from analysis of available data, it seems logical to presume that parts-marking would help reduce "chop shop" operations. Anecdotal evidence can be cited to support this view. Law enforcement personnel at all levels endorse the parts-marking law and believe it has provided them with a valuable tool. For the most part, these groups strongly support the existing provisions of the standard and favor extending its coverage to non-passenger vehicles. On the other hand, it must be concluded that expanding the use of parts-marking will raise the cost of implementing the regulation, and will also require added costs for effective enforcement, without conclusive evidence that thefts will actually be reduced.

B. Recommendations For Improving Parts-Marking Effectiveness

Parts-marking is a relatively low cost action with the intended purpose of reducing thefts that are motivated by profit. The following recommendations are presented for improving parts-marking effectiveness.

1. As proposed in the March 1991 Report to Congress, the Department continues to recommend that the statute be amended to allow it to establish a median theft rate every year based upon more current year data than the median theft

rate established for MYs 1983/84. (See Synopsis of March 1991 Report to Congress, Appendix A.)

2. Also as proposed in the March 1991 report, the Department recommends that the statute be amended to give it authority to redesignate high-theft car lines as likely low theft if the car line's theft rate has decreased to below the median. Again, a detailed rationale for this recommendation is contained in the March 1991 report, summarized in Appendix A.
3. We propose to continue monitoring the current passenger car parts-marking program to determine whether additional data that becomes available in the future may provide a definitive evaluation of its effectiveness.

III. INSTALLATION OF ANTITHEFT DEVICES BY AUTOMOTIVE MANUFACTURERS

As a further theft deterrent, the Theft Act aimed to encourage the installation of antitheft devices as standard equipment in factory-delivered passenger cars. To accomplish this, the Theft Act allowed for an exemption from the parts-marking requirements for certain car lines, with an additional two car line limit per model year for each manufacturer. This exemption is allowed if a manufacturer petitions for an exemption for a car line in which it has installed as standard equipment an antitheft device which the Secretary of Transportation has determined is "...likely to be as effective in reducing and deterring motor vehicle theft as compliance..." with parts marking.

Antitheft devices installed as standard equipment on car lines that manufacturers have received exemptions for, have many features in common. All are so-called passive systems, which means that the system engages automatically without any extra action by the motorists. Such systems are automatically activated by removing the key from the ignition and locking the door. Sensors that are located in the doors, hood, trunk, and key cylinders activate alarms when an unauthorized entry is attempted. All systems have a starter or ignition interrupt and power (battery) protection. All systems which were granted exemptions in full have an audio and/or visual alarm system, i.e., horn blowing and/or lights flashing for a pre-determined

amount of time. The systems granted in-part do not have the audio/visual alarm system, and therefore, the engines and transmissions are required to be marked in addition to the installation of the approved antitheft system.

Contrasted with the passive systems described above are so-called active systems, in which the operator must manually engage the device, usually with a key, toggle switch or number keypad into which a code is punched, each time he/she leaves the car. Not surprisingly, passive systems have been proven more effective since they are not subject to drivers' failure to activate the system.

For MY 1990, of the total 8,700,000 passenger cars produced, 139,000, or 1.6 percent, were equipped with manufacturer-installed antitheft devices.

Manufacturers began petitioning the agency for exemptions from parts-marking beginning with MY 1987 car lines, the same year that the vehicle theft prevention standard went into effect. For MY 1987, eight manufacturers received exemptions for 12 car lines. Of these 12 car lines, there was no pronounced trend toward substantial reduction in theft rates for the following model years. NHTSA theft rate data show a fluctuating up-down theft rate for each respective car line after introduction of antitheft system installation. The data for these car lines are given in Table 1.

Table 1

EXEMPTIONS EFFECTIVE FOR MODEL YEAR 1987

MANUFACTURER AND CAR LINE	MY 1986 THEFT RATE*	MY 1987 THEFT RATE*	MY 1988 THEFT RATE*	MY 1989 THEFT RATE*	MY 1990 THEFT RATE*
<u>Austin Rover</u> Sterling	**	1.3371	3.3651	1.1325	4.9958
<u>Chrysler</u> Conquest Dodge Plymouth	11.8237 9.4233	10.6567	18.5784	22.0069	**
<u>General Motors</u> Cadillac Allante Chev. Corvette	** 10.9429	1.5399 9.5793	5.7283 10.4783	0.0000 10.8831	3.9280 8.2146
<u>ISUZU</u> Impulse	2.4901	6.1951	9.7023	7.4889	0.0000
<u>Mitsubishi</u> Galant Starion	7.3751 7.9573	7.0852 14.6092	7.8653 19.7719	5.4883 0.0000	8.5089 **
<u>Nissan</u> Maxima 300ZX	3.6882 7.7094	4.7414 5.9739	6.6843 10.1859	5.1819 5.1474	4.1240 12.4601
<u>Toyota</u> Celica Supra Cressida	2.7860 4.2623	5.5732 8.6402	10.3866 5.0021	11.7884 5.1302	11.6129 2.8800
<u>Volkswagen</u> Audi 5000S	2.1248	1.9827	1.2642	1.2304	**

* Thefts per 1,000 cars produced.

** Car line not produced this model year.

All theft rates in Table 1 (as well as Tables 2, 3, 4, 5 and 7) are given in thefts per 1,000 cars produced. Each theft rate is for cars of the current model year stolen during that same calendar year.

For MY 1988, two manufacturers received exemptions for three car lines. Of these three car lines, two show an increase in theft rates for MY 1990, compared to MY 1988 and one decreased. This data is given in Table 2. For MY 1989, (see Table 3) three manufacturers received exemptions for three car lines. Of these, two lines' theft rates decreased for MY 1990, and one line was not introduced into commerce. For MY 1990, five manufacturers received exemptions for nine car lines. Two of these lines were granted partial exemptions. Model Year 1990 was the first effective year for the lines with the exemption. (Table 4) Table 5 lists the four car lines from two manufacturers which were granted exemptions for MY 1991. (MY 1991 theft data not available.) In each table, theft rates are provided beginning with MY 1986 for comparative purposes.

There is no clear indication as to why theft rates of vehicles, after installation of antitheft devices, fluctuate widely from model year to model year. National organizations involved with deterring theft, such as the National Automobile Theft Bureau, the International Association of Auto Theft Investigators (IAATI), and the International Association of Chiefs of Police

Table 2

EXEMPTIONS EFFECTIVE FOR MODEL YEAR 1988

MANUFACTURER AND CAR LINE	MY 1986 THEFT RATE	MY 1987 THEFT RATE	MY 1988 THEFT RATE	MY 1989 THEFT RATE	MY 1990 THEFT RATE
<u>BMW</u> 7	2.3026	3.5419	3.3513	3.9504	4.3052
<u>Mazda</u> 929 RX-7	* 4.6147	* 6.8322	3.2001 5.6426	3.3610 6.0878	2.0517 17.6773

Table 3

EXEMPTIONS EFFECTIVE FOR MODEL YEAR 1989

MANUFACTURER AND CAR LINE	MY 1986 THEFT RATE	MY 1987 THEFT RATE	MY 1988 THEFT RATE	MY 1989 THEFT RATE	MY 1990 THEFT RATE
<u>Saab</u> 9000	1.6278	1.2191	2.2350	2.3691	2.2680
<u>Volkswagen</u> Audi 100/200	car line not produced			1.1834	1.1614

Table 4
EXEMPTIONS EFFECTIVE FOR MODEL YEAR 1990

MANUFACTURER AND CAR LINE	MY 1986 THEFT RATE	MY 1987 THEFT RATE	MY 1988 THEFT RATE	MY 1989 THEFT RATE	MY 1990 THEFT RATE
<u>Chrysler</u> Imperial	car line not produced				4.2568
<u>General Motors</u> (granted in-part) Chev. Camaro** Pont. Firebird**	29.4907 27.8316	26.0277 30.1440	25.7394 29.3894	8.6893 8.9973	9.0361 8.5608
<u>Nissan</u> Infiniti M30 Infiniti Q45	car lines not produced				2.7525 1.7227
<u>Porsche</u> 911 928	6.7060 4.1873	11.4955 5.3981	14.2376 11.7793	7.4099 4.5998	7.3769 9.6618
<u>Toyota</u> Lexus LS400 Lexus ES250	car lines not produced				2.0197 1.7857

Table 5
EXEMPTIONS EFFECTIVE FOR MODEL YEAR 1991

MANUFACTURER AND CAR LINE	MY 1986 THEFT RATE	MY 1987 THEFT RATE	MY 1988 THEFT RATE	MY 1989 THEFT RATE	MY 1990 THEFT RATE
<u>Honda</u> Acura NS-X Acura Legend	* 3.1765	* 2.7837	* 3.4341	* 3.5017	* 4.5756
<u>General Motors</u> (granted in-part) Cad. Deville Oldsmobile 98	7.1093 7.4118	6.1637 5.2239	7.9116 5.3363	5.5704 4.7984	3.8119 5.5267

*Car line not produced this model year.

**Partial Exemption. Voluntarily installed the Personalized Automotive Security System (PASS-KEY) for MY 1989.

(IACP), have indicated that the first year's theft rate for new or redesigned car lines is generally low because the demand for replacement parts is relatively small, since there is no interchangeability of parts with the older car lines. Another important factor that can be a variable in theft frequency is economic conditions of the marketplace. If the market is flooded with parts, then theft rates of car lines will tend to reduce. A reasonable conclusion is that events external to the presence or absence of antitheft systems have an effect which overwhelms that produced by the antitheft system. Such external events could include marketplace economic conditions, as well as shifting demands for various models from year to year in the theft community.

A. Listing Of Exempted Car Lines And Descriptions Of Antitheft Systems Installed As Standard Equipment

The following car lines have systems that are passive and are armed by locking the driver's door with the ignition key or by depressing the driver's door lock actuator. All systems are activated by attempted unauthorized entry through the doors, hood, trunk, and ignition key cylinder. All have either ignition or starter interrupt functions along with power (battery) protection. All systems have an audio and or visual alarm function (i.e., horn blows and/or headlights flash for a predetermined amount of time).

Volkswagen
Audi 5000S

Chrysler
Conquest

Audi 100
Audi 200

General Motors
Cadillac Allante
Chevrolet Corvette

Nissan
Maxima
300ZX
Infiniti Q45

Isuzu
Impulse

Toyota
Cressida
Celica Supra
Lexus LS400
Lexus ES250

Imperial

Mazda
929
RX-7

BMW
7

Porsche
928
911

Honda
Acura Legend

Mitsubishi
Starion
Galant

In addition to the passive systems described above, the following car lines have systems that contain motion sensors as well. Motion sensors are devices that activate the system when the car is physically moved or bumped.

Honda
Acura NS-X

The car lines listed below have, in addition to the systems described above, an infrared (IR) control unit. These control unit locking systems are integrated into the vehicle's central door locking scheme and allow the vehicle's doors to be locked remotely by an infrared code transmitted by a small transmitter. In most cases, these transmitters also contain the ignition key.

Saab
9000

Austin Rover
Sterling - does not have motion sensors

The car lines listed below have received exemptions in part and, therefore, must have the engines and transmissions marked in addition to the installed antitheft device. The systems on these car lines are passive with activation only by the key cylinder, and all contain ignition interrupters. These systems do not have audio/visual alarm functions.

General Motors

Chevrolet Camaro
 Pontiac Firebird
 Cadillac Deville/Fleetwood
 Oldsmobile 98
 Pontiac Bonneville
 Buick Park Avenue

A dramatic success story in theft reduction via antitheft systems is that involving the Pontiac Firebird and the Chevrolet Camaro. General Motors was granted partial exemptions for these car lines in 1990. Even though the exemption did not become effective until MY 1990, General Motors voluntarily installed the Personalized Automotive Security System (PASS-KEY), along with parts-marking, in MY 1989. These two car lines had been among the top 10 on the high-theft listing since MY 1983/84. The MY 1987 theft rate for the Pontiac Firebird was 30.1440 and for the Chevrolet Camaro was 26.0277. For MY 1988, the Pontiac Firebird theft rate was 29.3894 and the Camaro 25.7394.

Following the introduction of the antitheft system in MY 1989, the theft rate fell to 3.9973 for the Firebird and 8.6893 for the

Camaro. The MY 1990 theft rates for these car lines continued at a relatively low rate for the Firebird of 8.5608 and 9.0361 for the Camaro, indicating a 67 percent and 65 percent decrease for the Firebird and Camaro, respectively.

These two GM car lines have installed as standard equipment, the "PASS-KEY" system. This PASS-KEY system is unique in that it uses a specially designed ignition key to deter would-be thieves. When the key is inserted in the ignition, an on-board computer reads an encoded capsule that is embedded in the ignition key and compares it to a microchip within the computer. If the two modules do not match, the ignition system shuts down for approximately three minutes. The system rearms and shuts down indefinitely if someone without the proper key persists. The ignition system will also shut down if an attempt is made to pop the ignition switch out of the steering column, or hot-wire the car.

As portrayed by the reduction in theft rates, this system has proven to be very effective in reducing auto theft. Insurance payouts for Camaros and Firebirds have been cut in half since the PASS-KEY system was added.

B. Antitheft Systems Voluntarily Installed By Manufacturers Prior To Model Year 1987

Prior to the legislation requiring automobile manufacturers to parts-mark designated high-theft car lines or apply for an exemption from these requirements, many manufacturers offered either as standard equipment or as an option various antitheft systems. These systems varied among manufacturers and included active systems, passive systems, disabling devices, alarm systems and motion sensors.

Table 6 contains a list of makes and models of passenger automobiles with standard, original equipment antitheft systems installed by manufacturers prior to MY 1987. The table also includes a brief description of the system installed on each car line and the model year it was installed (if known).

Table 7 contains theft rates of these particular car lines beginning with MYs 1983/84 and ending with MY 1987. (The first year that parts-marking became effective.) Beginning with MY 1987, all of the listed car lines except the Nissan 200SX were designated high-theft or received an exemption from the parts-marking standard. Mercedes-Benz ceased production of all these particular models after 1986. Beginning with the 1987 model year all car lines with voluntarily installed antitheft systems were parts-marked or had an approved antitheft system as standard equipment.

Table 6

CAR LINES WITH ANTITHEFT SYSTEMS PRIOR TO MY 1987

<u>Manufacturer</u>	<u>Car Line</u>	<u>MY Device Introduced</u>	<u>Description</u>
General Motors	Chevrolet Corvette	1972	From 1972 to 1980, there was an active alarm system. From 1981 to 1985, a passive system, equipped with an alarm hooked up to the door and trunk plus a starter interrupt device. In 1986 and 1987, the Corvette was equipped with VATS (Vehicle Antitheft System, a passive system with an electronic starter-interrupt). In 1988 the Corvette was equipped with the PASS-KEY system.
	Cadillac Eldorado (Convertible only)	1984	Same system as the Corvette, aside from the added feature of the lights blinking on and off when the alarm is activated, plus a disabling device activated when the thief enters from the roof and sits in the driver's seat.
Toyota	Cressida Celica Supra	1985	An active alarm system which will sound when one of the doors or hatch is opened without using a key, after the system has been manually activated. Head and tail lamps blink on and off intermittently.
Nissan	300ZX	1984	Passive alarm and disabling device. Alarm and disabling device are activated when entry is attempted through the door, hood, or trunk and or hatch. Lights blink on and off intermittently.
	200SX (Turbo only) Maxima	1985	

Table 6 (Continued)

<u>Manufacturer</u>	<u>Car Line</u>	<u>MY Device Introduced</u>	<u>Description</u>
Mercedes-Benz	300SD 380SL 500SEL 500SEC	1984	Passive alarm system triggered by unauthorized entry into the passenger compartment through the doors or trunk. Lights blink on and off intermittently.
Ferrari	308 Mondial	Unknown	Active disabling device.
BMW	3 Series 5 Series 6 Series 7 Series	1985	Active antitheft alarm device using a separate key. Also an optional on-board computer, with a code-pad memory option in which a driver is to press in numbers before the engine will start.
Porsche	928	Unknown	Passive alarm and ignition interrupt device. Activated by attempted unauthorized entry through passenger doors and/or the trunk.

Table 7

**THEFT EXPERIENCE OF CAR LINES WITH MANUFACTURER VOLUNTARILY
INSTALLED ANTITHEFT SYSTEMS PRIOR TO MY 1987**

MANUFACTURER AND CAR LINE	MY 1983/84 THEFT RATE	MY 1985 THEFT RATE	MY 1986 THEFT RATE	MY 1987 THEFT RATE	MY DEVICE INTRODUCED
<u>General Motors</u>	
Chav. Corvette	12.6237	14.3917	10.9429	9.5793	1972
Cad. Eldorado	13.9131	11.5004	2.2666	3.8924	1984
<u>Toyota</u>					
Cressida	5.7131	4.7068	4.2623	8.6402	1985
Celica Supra	15.1583	10.3855	5.8756	4.8428	1985
<u>Porsche</u>					
928	4.8660	1.7391	4.1873	5.3981	unknown
<u>Nissan</u>					
300ZX	8.7435	6.3609	7.7094	5.9739	1984
200SX	2.4608	4.6623	4.1101	5.5654	1984
Maxima	3.8044	1.9978	3.6882	4.7414	1985
<u>Mercedes</u>					
300SD	3.2601	2.2297	.	.	1984
380SL	6.1665	4.3200	4.3200	.	1984
500SEL	3.6236	.	5.1754	.	1984
500SEC	5.3748	4.1494	4.1494	.	1984
<u>Ferrari</u>					
308	4.4893	1.5504	8.0000	.	unknown
<u>BMW</u>					
3 Series	5.3255	2.0259	3.3291	3.0202	1985
5 Series	5.0760	1.9683	1.9450	3.3921	1985
6 Series	5.0400	4.3466	2.5829	4.1032	1985
7 Series	4.8660	1.7391	4.1873	5.3981	unknown

* Car line not produced this model year.

In addition to these mandatory requirements, some manufacturers plan to provide new vehicles with hardened collars, which shield the upper and lower casing of the steering column. This will significantly increase the time required to disable the locking mechanism for the ignition, steering wheel, and automatic transmission gear selector. Furthermore, some manufacturers offer as standard equipment antitheft devices on their higher cost models, and offer as an option antitheft devices on other models.

For MY 1990, GM stated that it produced approximately 386,000 cars equipped with PASS-KEY. It further claims that by MY 1994 the majority of GM cars, approximately 2.6 million, are scheduled to have some version of the PASS-KEY system as standard equipment. It is speculated that for MY 1995, that number will increase to 3 million.

C. Recommendations For Manufacturer Installed Antitheft Systems

1. As recommended in the March 1991 report, amend the existing statute to allow manufacturers an unlimited number of exemptions from parts marking for antitheft devices. At present, the statute limits each manufacturer to no more than two additional lines per year. The Department believes that such action would encourage manufacturers to install antitheft systems on more vehicles and that such devices undoubtedly help to reduce theft.

2. Continue to closely monitor the effectiveness of antitheft system installation. Although many vehicles have shown fluctuating and erratic changes in theft rate, the GM PASS-KEY system has, to date, resulted in a significant reduction in theft rates. It is important to determine whether this trend will continue, or whether it will result in effective countermeasures by clever thieves which will ultimately counteract its effectiveness.
3. Encourage all insurers to voluntarily provide discounts in comprehensive premiums for effective antitheft devices, without them having to be mandated by State laws.

IV. AFTERMARKET ANTITHEFT SYSTEMS

There are a number of aftermarket antitheft devices and systems being offered for theft prevention, ranging from the inexpensive mechanical (e.g., a device that locks the steering column preventing it from being turned) and electrical fuel-cutoff switches, to the more sophisticated tracking systems that track a vehicle once it has been reported stolen to the police. The new sophisticated electronic tracking systems may or may not have theft prevention components interfaced with the tracking applications. In an effort to obtain information on the relative effectiveness of these aftermarket antitheft systems, the agency contacted the Mobile Electronics Association (an association specializing in automobile security systems along with other accessories). However, they were unable to provide the agency with any data on the effectiveness of aftermarket theft prevention devices.

Code Alarm, Inc., manufactures a tracking system called, "Intercept," which includes alarm, retrieval, and notification capabilities. The "Intercept" system includes a cellular phone that automatically informs a monitoring station of unauthorized vehicle movement, while an on-board Loran C receiver provides real-time vehicle location. One of the features of "Intercept" allows the central monitoring station (a station operated by Code Alarm employees) to remotely cut-off a stolen vehicle's engine to

prevent high-speed chases. The drawback of such a system is that should the cellular phone be stolen, the system is rendered inoperable. The cost for "Intercept" is approximately \$1,500 per vehicle plus a monthly monitoring fee. Presently, no statistical data are available on the effectiveness of this system.

Another new technological system for the tracking and surveillance of stolen vehicles was developed by International Teletrac to improve the efficiency of truck and bus fleets and to aid in the recovery of stolen cars. When an owner contracts with Teletrac, its vehicles receive a transmitter that can be installed in any of 20 different locations within each vehicle, an antenna, and a back-up battery supply. Once a vehicle has been identified as missing, or when the vehicle is started without the key, its transmitter emits a 900 MHz signal, along with the vehicle identification code. The message and code are transmitted to the company's network control center, which sends a location request signal back to the transmitter. According to a spokesperson with Teletrac, the company's software is designed to compute the vehicle's signal from the strongest antenna towers, calculate the time differential for transmission and relay, calculate the latitude and longitude of the vehicle's location, and plot it on a digitized map of the area. Once this has been accomplished, the control center reports it to the local law enforcement agency. If the law enforcement agency is on line with Teletrac, the location of the vehicle is displayed on an

easy-to-read computerized map, located at the law enforcement's dispatch center. Additionally, the dispatcher can provide the speed of the vehicle, description of vehicle, and identify the subscriber. However, if the local law enforcement agency does not have the Teletrac capabilities, a Teletrac employee provides the same information over the telephone until an investigatory stop can be made. Installation of the tracking transmitter is performed by any company that purchases these systems to sell.

Presently, operating Teletrac systems are located in the following areas: Los Angeles County, Ventura County, Orange County, and Riverside County, California; Chicago, Illinois; Detroit, Michigan; and Dallas, Texas. The approximate cost for this system is \$595 per vehicle, installed at new car dealers or through aftermarket companies. Teletrac would not provide statistical data on its recovery rate of stolen vehicles equipped with the Teletrac system, because it believes this is proprietary information and did not want to disclose it.

Another hi-tech tracking system is the LoJack system. The LoJack system includes an on-board transceiver, the size of a small chalkboard eraser, installed in an area within the vehicle known only to the installer, with tracking equipment installed in law enforcement vehicles, and existing computers and telecommunication networks operated by statewide law enforcement agencies. The LoJack system is a unique law enforcement tool

which is controlled by State and local law enforcement agencies. Presently, private entities cannot purchase it for their use. The LoJack system is installed in the vehicle, and a code unique to a given LoJack unit is paired with the vehicle identification number (VIN) of the vehicle in the State police criminal information computer. Once a vehicle is reported stolen to the police, a routine police entry of the VIN activates the police broadcast system, which turns on the LoJack unit in the stolen vehicle. Law enforcement cars equipped with the LoJack tracking unit receive the broadcast from the stolen vehicle, and follow a homing procedure which takes the law enforcement official directly to the vehicle. A LoJack equipped police car can track a stolen LoJack equipped vehicle over roughly a 25 square-mile area. In 1989, the Federal Communications Commission (FCC) allocated a special Federal law enforcement frequency to be utilized in the location and apprehension of stolen vehicles. The frequency allowed by the FCC is 173.075 MHz. This enables companies like LoJack to telecommunicate with any law enforcement agency utilizing its system. Presently, LoJack is available in seven states: Massachusetts, Florida, New Jersey, Michigan, California, Illinois, and Virginia. LoJack reports a recovery record of approximately 95 percent of stolen vehicles equipped with the LoJack tracking system. LoJack claims also that the majority of vehicles recovered by police using its system sustain

less damage than a vehicle stolen without LoJack protection.⁵ The cost for the LoJack system is approximately \$595, and can be purchased for a new vehicle through the vehicle dealers in the States utilizing the LoJack system. Only LoJack personnel install these tracking systems in vehicles. The LoJack system has been expanded to include a passive theft deterrent device (identified as LoJack Prevent). This enhancement is a theft deterrent system that incorporates an alarm and starter interrupt. Additionally, this system has a back-up battery, should the main battery cable be circumvented.

The California Highway Patrol (CHIP) stated that LoJack first became operational in California in July 1990 in a pilot project. Since that period, approximately 94 LoJack equipped vehicles have been stolen with 70 recovered using the system, yielding a 74 percent recovery rate.

It is obvious from the above descriptions that these hi-tech tracking systems require installation equipment which is relatively expensive; and also require the cooperation of state and/or local law enforcement agencies. The Department encourages such action by state and local law enforcement agencies to reduce theft. In some states, insurance companies are moving to

⁵LoJack Fact Sheet -- 10/91

encourage motorists to install such so-called stolen vehicle recovery systems (SVRS). In Massachusetts, for example, a 35 percent discount is given on the comprehensive portion of the insurance premium if a vehicle has an installed tracking system which also has a passive antitheft device, which consists of a starter-interrupt function. The agency strongly encourages the adoption of such rate reductions by all insurance companies for SVRS installations.

Aside from the hi-tech antitheft systems being offered, there are less sophisticated and inexpensive methods which may aid in reducing vehicle theft. One such program is the use of decals. Many police localities and jurisdictions participate in a program which utilizes decals placed on autos to spot possible stolen vehicles. One such program is called the CAT Program (Combat Auto Theft). Other localities across the United States also use a decal program to assist in the prevention of auto theft, but refer to the program by names other than the CAT program. These programs are voluntary programs designed to assist in the prevention of auto theft by the use of decals displayed on vehicles which, driven during certain hours, are subject to being stopped by police officers.

To participate in the program, the registered owner takes the vehicle, its registration, and his/her driver's license to any participating police station, substation or designated location.

Personnel will supply the waiver form for the registered owner to read and sign. This waiver form contains information about the owner and the vehicle, and states that the vehicle is not normally driven in very early morning hours (usually between the hours of 1:00 a.m. and 5:00 a.m.). By signing the waiver, the owner is giving consent for this vehicle to be stopped during these hours. The waiver does not prohibit the registered owner or agent from driving the vehicle during the stated hours, but it does give the owner's consent for any police officer to stop the vehicle as a possible stolen vehicle. The owner of the vehicle is then assigned a decal. This decal bears a serial number which corresponds to the number on the signed waiver form and is cross-referenced with the vehicle's identification number. The waiver form is then sent to the auto theft division of that particular police department. After the owner has signed the waiver, police personnel will affix the decal inside the rear window on the driver's side. If the vehicle has no rear window or a rear defogger prevents placing the decal inside the window, the decal will be affixed inside the front windshield on the drivers side in an area that would not hinder the vision of the operator.

If a vehicle with a decal is observed being operated during the predetermined hours, it is subject to an investigative stop by an officer of any participating police jurisdiction. Drivers are encouraged to advise anyone they allow to use their vehicle that they are subject to being stopped during these hours. If the

vehicle is sold or the owner withdraws from the program, it is the owner's responsibility to remove the decal and notify the auto theft division of the local police jurisdiction. Presently, a number of cities/jurisdictions have or are participating in similar programs. These include: New York City, New York; Trenton, New Jersey; Philadelphia, Pennsylvania; Houston, Texas; St. Louis, Missouri; St. Paul, Minnesota; and San Diego, California. Some of these cities have claimed success while others have discontinued the program. Manpower was cited as one reason for discontinuing the program, with no further explanations being provided. No definitive statistical data are available.

Another alternative theft deterrent is etching vehicle windows with the VIN. Presently, many law enforcement agencies are etching windows. It is believed that vehicle windows so marked are visible deterrents. The Kentucky State Police (KSP) have a voluntary VIN marking program in effect. The Kentucky program consists of marking all glass on a vehicle with the VIN. KSP claims to have marked in excess of 150,000 vehicles since implementing the program in 1981. From 1981 to 1985, KSP has been aware of only four marked vehicles being stolen, three of which were recovered intact and one remains missing. Unfortunately, since 1985, KSP has not kept any records on the number of stolen vehicles that have participated in the program. The KSP stated that, as of July 1991, approximately 200 police companies had requested copies of the Kentucky VIN etching program. The KSP believe that the marking program is very effective.

V. AUTOMOBILE DEALERS THEFT PREVENTION

In response to a request from this agency, the National Automobile Dealers Association (NADA) surveyed its members regarding their vehicle theft experience. Of the 97 dealers who responded, 21 were located in urban areas while 29 were suburban and 46 were rural, with 1 dealer location unknown. When the automotive dealers were queried on whether they offered antitheft devices, 38 responded yes, 34 answered no, and 25 either did not respond or responded not available. Of the 38 dealers responding yes, 17 of them offered both factory installed-antitheft devices or devices installed by the dealership. Of the 34 responding no, they indicated that only factory-installed systems were available or antitheft systems were installed by someone other than the dealership.

Of the antitheft devices/systems offered or factory installed, the most popular were the remote/keyless entry systems. The second were optional factory-installed systems (e.g., PASS-KEY), followed by electronic devices (e.g., ignition starter-interrupt) and alarms.

It is recommended that automotive dealers emphasize the availability of antitheft devices and promote their advantages to consumers. Training of sales personnel and distribution of brochures in dealer showrooms could help to achieve this objective.

The dealers also addressed their respective vehicle theft experience and ways in which to confront vehicular theft. Of those automobile dealers responding, 49 experienced vehicle theft within the last 5 years, ranging from 1 to 10 thefts, either annually or within that time frame. Conversely, only 2 dealers experienced 11 or more thefts in the last 20 years. Ten respondents stated they had encountered between 1 and 20 thefts in the last 20 years. One dealership replied it was quite common to experience vehicular theft, while 10 commented that their theft experience was very low. Eighteen respondents stated they had never experienced a vehicle theft. Seven dealerships did not respond. The dealers did not disclose how their respective vehicles were stolen, whether it was during test drives, stolen off the lot, or lack of internal security. Many of the dealers stated they employed guards to police their lots, used preventive measures such as locking all keys to the vehicles and parking vehicles in strategic locations blocking them from the ability to be driven off the lot.

A. Recommendation For Automotive Dealers

1. It is recommended that automotive dealers emphasize the availability of antitheft devices and promote their advantages to consumers, particularly in areas where theft rates are high or for models with relatively high-theft rates.

VI. RENTAL AND LEASING COMPANIES THEFT PREVENTION

According to representatives of the major rental and leasing companies, motor vehicle theft is still a significant concern within their domain. Rental and leasing companies are taking various actions to reduce their respective losses. This industry counts vehicle theft differently due to individual company reporting procedures. Unique to the rental and leasing industry is a form of vehicle theft referred to as a "conversion." A conversion occurs when the renter/lessee does not return the vehicle to the rental or leasing company on the date specified in the contract. Depending on the police jurisdiction timeframe for reporting stolen, rented or leased vehicles, total thefts for rental and leasing companies could be overstated by inclusion of a "conversion," where vehicles were actually returned to the respective company "late," rather than being stolen.

A number of companies have programs in effect to address the physical vehicle theft problem. Such programs include etching of vehicle windows with the VIN, aftermarket alarms, tracking devices, stickers, and a collar or hardened steel sheath placed around the steering column. Additionally, AVIS Rent A Car System places stickers on cars advising would-be thieves that the "...parts of this car are marked and known to law enforcement authorities...." or "...tampering with the radio will render it inoperable." Furthermore, AVIS places stickers on door posts to

inform law enforcement agencies of its after-hour 800 number to facilitate the recovery of a vehicle.

To address the operational side, rental and leasing companies have implemented some of the same procedures as the automotive dealers. They have also employed other theft deterrence techniques such as ignition key control, protective fencing and lighting, employee background checks, computer tracking of fleet vehicles, prompt reporting of overdue vehicles, missing vehicle reports, liaison with local law enforcement, and developing customer files.

One of the major problems reported by rental and leasing companies is that vehicles are being stolen and exported out of this country, either through ports-of-entry or over the border. Rental and leasing companies have proposed that the Federal Government strengthen vehicle theft enforcement at these locations. Some suggestions were offered by one of the major rental companies. It suggested that the United States initiate efforts to adopt an automated system to control the flow of vehicles into Mexico. Their proposal is to uniquely mark the cars of regular commuters to enable them to cross the border unimpeded. Unmarked vehicles would be stopped for questioning. Additionally, it believes that a method that could be considered would be the imposition of fees to be paid by vehicle exporters to fund the task of enforcing exportation laws. The funding could assist the Customs Service in that Customs could hire more inspectors to examine containers leaving the country.

The Department has forwarded these recommendations to Customs, which has the responsibility to enforce Title III of the Motor Vehicle Theft Law Enforcement Act. (See Appendix C.)

VII. STATE PROGRAMS WHICH ADDRESS MOTOR VEHICLE THEFT

A number of States have implemented theft prevention programs, which run the gamut from the basic VIN window etchings programs (as discussed previously) to specific plans aimed at juveniles, which encourage them not to steal vehicles.

In 1923⁶, it was reported that the majority of thefts that occurred were attributed to so-called "joy-riders," thieves who sought the thrill of committing a crime coupled with driving an automobile they generally could not afford.⁷ Today, there appears to be a significant number of stolen vehicles attributed to juvenile joy-riders.

A creative approach for reducing theft by juveniles has been undertaken by the Baltimore Police Department, Baltimore, Maryland. This strategy by the Baltimore Police Department and participating agencies affects the future driving privileges of those juveniles found guilty of certain offenses relating to theft of a motor vehicle. If a young person steals an automobile, he/she may be denied the privilege of a driver's license at the time of application. The majority of unauthorized use or theft of vehicle cases also involve "collateral" traffic violations such as operating without a license, speeding, fleeing

⁶ The NATB, The History of NATB, p.28

⁷ Ibid.

and attempting to elude the police, or violating a traffic signal. When a delinquent is brought to Juvenile Court of Violations and charged with an infraction of the Maryland Transportation Code, that infraction will be reported to the State Motor Vehicle Administration. At that time, a "soundex" number is assigned and points are assessed to the juvenile's driving record, even if the juvenile does not possess a Maryland driver's license. Subsequently, when the juvenile applies for an operator's license or learner's permit, it could be denied. This program was presented to middle school students' parents and high school students' parents in 1987.

New Jersey's Juvenile Delinquency Department is also considering an antitheft program. The program (similar to the one in Baltimore, Maryland) would target Newark and the surrounding suburbs, and would inform teens of the hazards and legal consequences of stealing vehicles. The State would seek funding from local groups, such as the Lions Club, Boy Scouts, and college fraternities.

The State of Michigan established the Automobile Theft Prevention Authority (Authority) program which provides funds for financial support to state and local agencies for auto theft enforcement teams. Projects supported include state and local police programs designed to reduce auto theft, local prosecutors, judicial agencies, and neighborhood, community and business.

organizations' antitheft programs. The funding provides support to reduce the incidence of auto theft through a \$1.00 surcharge for every private passenger auto policy written in the State. The Authority also uses the funds to conduct educational programs designed to inform vehicle owners of theft prevention and to provide equipment for experimental purposes to vehicle owners for prevention of automobile theft. The money is channeled directly to the theft prevention program and can only be used to fight auto theft.

Additionally, on April 1, 1986, several amendments to Michigan's Insurance Act became law. The law requires all insurers who sell auto insurance in Michigan to become paying members of NATB, to have preinsurance inspection of vehicles with two supporting photographs and to give a premium discount for vehicles equipped with an antitheft device. The law also states that an insurer cannot make a claim payment for the theft of an automobile unless the insured has filed a report with the proper law enforcement agency. Additionally, if a vehicle is unattended, not in the custody of service garages or parking lots where keys are necessarily left in someone else's custody, an insurer may also include in their policy either or both of the following provisions: 1) An automatic \$500 deductible, if the vehicle is stolen with keys in it; 2) a settlement reduction by 10 percent if the vehicle was stolen with keys in it.

In recent years, AAA Michigan, the State's largest insurer, has also initiated several other effective programs to reduce motor vehicle theft. It began VIN etching in 1983 as part of its Arrest Car Thieves In Our Neighborhood Program (A.C.T.I.O.N.). A second part of A.C.T.I.O.N. was a reward program offering \$1,000 to \$10,000 to citizens who gave information to the police which resulted in the arrest and prosecution of anyone involved in the theft of AAA Michigan members' vehicles. During AAA Michigan's program it paid rewards totalling \$118,000.⁸ As a result of the program, 138 arrests were made, 137 vehicles valued at \$902,075 were recovered and seven chop shops and auto theft rings were shut down.⁹ In October of 1985, Michigan's reward program was phased out in favor of a statewide industry program called Help Eliminate Auto Theft (H.E.A.T.), a program administered through Michigan's Automobile Insurance Placement Facility, and funded by the insurance industry in Michigan and patterned after the AAA Michigan program.

The H.E.A.T. program awards money to people who submit auto theft information. For information resulting in the arrest and prosecution (not conviction) of a car thief, the informant may receive a reward of up to \$1,000. If the information leads to the arrest and binding over for trial of individuals involved in

⁸ AAA Michigan Report, Auto Theft Unit, November 19, 1991, p.6

⁹ Ibid.

a chop-shop operation, the reward can be up to \$10,000. The H.E.A.T. results to date are 448 rewards paid, totalling \$792,205, and 833 arrests with 1,143 vehicles recovered, valued at \$13,257,708.¹⁰

Michigan also established an anticar theft campaign committee (ACT). The committee includes representatives of insurers, auto manufacturers, car rental companies, financial institutions, the NATB, the sheriff's department, and the FBI. The committee promotes public awareness, direct assistance to law enforcement and support of Federal and State legislation that affects auto theft; and training seminars for law enforcement and insurance industry personnel.

As a result of cooperative efforts and its unique programs, auto theft in Michigan has declined for the past six years. Since April of 1986, Michigan has experienced a 13 percent reduction in stolen cars while the national average has increased by 42 percent. As a result of this apparent reduction, many states have patterned their theft prevention program efforts after those of Michigan's.

This agency commends the cooperative efforts of insurance companies and law enforcement agencies within the State of Michigan and the positive results in theft reduction which have

¹⁰ Ibid.

resulted from such actions. We strongly encourage law enforcement and the insurance industry's efforts in other areas to emulate the Michigan experience. Other jurisdictions which have already initiated similar programs are discussed below.

Texas has established the Texas Action Council on Theft (TACT), a nonprofit organization run by the insurance industry, law enforcement officials, and the district attorney's office. A recent antitheft effort of TACT was utilizing billboards and public service announcements to promote the use of antitheft devices and to educate Texans as to the detrimental effects that theft has on insurance costs. Additionally, in Texas, new title certificates are being issued that are more difficult to alter or counterfeit. The certificates are printed in erasure-sensitive inks on brightly colored paper with special tinting. The information on the certificates now includes odometer readings.

Massachusetts addresses the problem of auto theft with new technology, the previously described LoJack System. Massachusetts vehicle owners who install stolen vehicle recovery systems are entitled by law to a 20 percent discount on their comprehensive insurance and if the system has a deterrent feature(s) the policyholder will receive a 35 percent discount. The LoJack system has been available in Massachusetts since 1986.

Additionally, the Automobile Insurance Reform Act of 1988 required the Massachusetts Commissioner of Insurance to develop rules and rates for certain high-risk vehicles and operators. If any high-risk vehicle or operator is listed on a policy, the Act allows an insurer to charge a higher "Extra-Risk" rate on Physical Damage coverage, or to deny writing such coverage. Section 40 of the 1988 Reform Act called for the Commissioner to develop a list of designated high-theft vehicles which would be subject to "Extra-Risk" rating if the vehicle does not have a prescribed antitheft device.

New York and New Jersey utilize the Combat Auto Theft (CAT) program through which special decals are provided to those who participate. The special decals are placed in the vehicle's windows and identify the vehicle as one that is rarely driven at night. Thus, if the vehicle is spotted during late night hours, the driver will be stopped and asked for evidence of ownership to determine whether the car is stolen.

Washington, D.C. has established a D.C. Impact Group, funded by the insurance industry. It is composed of 16 law enforcement jurisdictions and 10-12 insurance companies. The group gives seminar training to 300-400 police officers having two to five years of law enforcement experience, in proper claim handling procedures and vehicle number identification. Additionally, the D.C. Impact Group sponsors media events on automobile theft, conducts public service announcements, purchases computer equipment for the police department for theft-related purposes, distributes handouts and brochures at auto shows on automobile theft prevention and has also instituted the CAT program.

VIII. INSURANCE INDUSTRY

Motor vehicle theft is the fastest-growing type of crime in the United States. Although vehicle theft accounts for only 11 percent of property crime, it accounts for 48 percent of property crime costs.¹¹ In effect, every policyholder pays for vehicle theft through higher insurance premiums. About half of the comprehensive portion of auto insurance premiums is used to compensate victims of automobile theft.¹² According to the Insurance Information Institute, in 1989 auto theft cost Americans \$9.4 billion, measured by the value of the stolen vehicles and their contents.

To combat theft, the insurance industry has begun to offer premium discounts to drivers who equip their cars with antitheft devices. There are presently ten states that require insurers to give car owners premium discounts for installing antitheft devices. Those states are: Illinois, Massachusetts, Florida, Kentucky, Michigan, New Jersey, New York, Pennsylvania, Rhode Island, and Washington.¹³

¹¹ Aide Magazine, December 1990, p.13

¹² Insurance Information Institute, Data Base Reports, July 1991, p.1

¹³ National Association of Insurance Commissioners, National Insurance Laws Services Database, October 1991

In addition to offering premium discounts for installed antitheft devices, the insurance industry has also initiated and subsidized State programs to aid in reducing motor vehicle theft. (See Chapter VII. STATE PROGRAMS WHICH ADDRESS MOTOR VEHICLE THEFT.) Additionally, the major insurance companies report to NHTSA on motor vehicle theft experience and what each company does to deter vehicular theft. Many insurance companies have units that specialize in auto theft and they are usually manned by retired law enforcement auto theft investigators.

The National Highway Traffic Safety Administration recommends and encourages more widespread application of efforts by insurance companies to reduce vehicle theft as previously discussed; i.e., offering discounts for vehicles equipped with antitheft devices, cooperative efforts with states and local and law enforcement groups, etc.

IX. THEFT RELATED INSURANCE FRAUD

Theft and auto insurance fraud have caused insurance costs to escalate rapidly. The Insurance Information Institute reports that between 10 and 15 percent of auto insurance claims involve fraud, and that auto insurance fraud costs insurance companies approximately \$5 to \$8 billion a year nationwide. Insurance fraud ranges from the inflation of bills and preplanned auto accidents, to excessive or unnecessary medical treatment and the complete fabrication of diagnoses.

In 1971, the Insurance Crime Prevention Institute (ICPI) was formed to pursue investigations of fraudulent claims nationwide in cooperation with Federal, state, and local law enforcement agencies. In addition to referring claims to ICPI, insurance companies are improving the ability of its specialists to detect and investigate suspicious claims; increasing technical resources to support claims personnel in their efforts; and promoting the enactment of laws that provide just punishment and effective deterrence for fraud.

A considerable amount of auto insurance fraud relates to theft and includes the following major categories:

Staged Claims: Parts of a vehicle are removed, stored and reported stolen. After the insurance is paid, the parts are put back into the vehicle.

Owner Dumping: A vehicle is reported stolen. The owner collects claim payment from an insurance company, while the vehicle's parts are sold to salvage yards and auto shops.

Export Fraud: After obtaining a bank loan and purchasing a vehicle, the owner insures the vehicle to the fullest extent, exports it, then reports the vehicle stolen to police and its insurance company. Overseas conspirators sell the vehicle and forward the proceeds back to the original owner.

Abandoned Vehicles: A vehicle is abandoned on a road or in a parking lot in the hope that it will be stolen or destroyed. Then the owner reports it stolen to the police and the insurance company to collect under the policy.

Salvage Switches: The vehicle identification number tag (on dashboards in newer vehicles), is taken from a junked car and switched to a similar make and model that an owner has fraudulently reported as stolen. With the false number, this vehicle is then reregistered and sold, often in a different state or country.

The insurance industry is exerting increased effort and is making strides to fight against insurance fraud. Insurers are taking steps to improve the antifraud training of claim representatives, underwriters and agents, and initiate fraud-reporting programs. Additionally, special investigative units have been set up to identify fraudulent claims. These units are responsible for detecting common fraud indicators and initiating investigations where necessary. These fraud indicators include incidents where the date coverage was provided and the date of the claim are nearly the same; incidents where the insurance premium was paid in cash; incidents where no theft report was given to the police; and incidents where the sales invoice was absent. In Pennsylvania and New Jersey, insurers are required to form antifraud units and submit antifraud plans.

Sting operations in New York, Chicago, Detroit, and Tennessee have exposed the increasing growth of auto theft fraud. AAA Michigan formed an auto theft unit in 1984 to investigate suspicious auto theft claims. The unit consists of nine investigators, five of whom are police officers with vast auto theft investigative experience. To date, they have investigated 8,359 claims, and denied 3,081, representing a savings of \$11.4 million.¹⁶

Insurers are directly funding antitheft and fraud projects and studies, as in Massachusetts and Florida. Additionally, through industry groups, insurers are promoting legislation to combat fraud. One of the difficulties in fighting insurance fraud has been the inadequacy of civil and criminal penalties. However, more states are passing laws which raise insurance fraud from the level of a misdemeanor to a felony, to increase the size of fines, and to provide for prison sentences.

According to the Insurance Information Institute, at least eight states have laws which classify auto insurance fraud as a felony. It also reports that in at least 17 others, the laws may be less comprehensive and the penalties less severe. The offenses covered may include the filing of fraudulent claims, making

¹⁶ AAA Michigan Report, Op. Cit., p.5

fraudulent statements on insurance applications and, vehicular arson.

Twelve states now have insurance fraud bureaus in the state department of insurance.¹⁵ In Massachusetts, a fraud bureau, fully funded by insurers, was set up in 1991, and concentrates on auto bodily injury claims. In Texas, a bill passed in June of 1991 created an insurance fraud unit to investigate and prosecute fraud by policyholders and insurers.

A new anti-fraud measure used in Massachusetts, New York, New Jersey, and on a limited basis in Michigan is the mandatory photo inspection of used cars before collision or comprehensive insurance is issued. This measure is designed to eliminate claim payments for damage sustained previously, and the purchase of insurance coverage for non-existent vehicles.

In February 1991, an improved system for identifying fraud more expediently and efficiently was developed. The new and improved system, the American Insurance Services Group Index System, is an automated data base of approximately 40 million bodily injury claims from all types of insurance. The data base gives subscribing insurers access to all bodily injury claims and can be used to detect patterns of suspicious claims. Another data base for tracking fraud indicators is the Property Insurance Loss

¹⁵ Insurance Information Institute, Op. Cit., p.5

Register which offers a similar data base covering property claims.

The insurance industry continues to address motor vehicle theft and fraud. Among the organizations devoted to the reduction of motor vehicle theft and insurance fraud is the Coalition to Reduce Auto Theft and Fraud and the Joint Industry Task Force on Auto Theft and Fraud, which during the past few years have developed the following model state legislation designed to combat and address motor vehicle theft and fraud:

The Model Vehicle Owner Fraud Act -- This legislation combats owner collusion. It states that it is a felony to knowingly make or assist in making a false report or claim regarding the theft, destruction, damage or conversion of a vehicle or its contents. It is also a felony to illegally obtain evidence of ownership of a vehicle by making a false report or application to a governmental agency. Four states had enacted such laws by the end of calendar year 1990.

The Model Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting and Immunity Act -- This legislation requires insurers to furnish information to law enforcement agencies upon request and to report possible crimes discovered by insurers. Immunity from lawsuits is provided to insurers for furnishing information. Eighteen states adopted this law by the end of 1990.

The Model Insurance Fraud Act -- This legislation defines insurance fraud, including both oral and written statements. Attempted insurance frauds are also covered under the Act. The proposal suggests that insurance fraud be punished as a felony. About half of the states have a similar law in force.

The Model False Police Reports Act -- This proposal makes it a misdemeanor upon the first conviction, and a felony upon a second or subsequent conviction, to knowingly make, or assist in making, a false report of a theft, destruction, damage, or conversion of any property to a law enforcement agency.

The Motor Vehicle Chop Shop, Stolen and Altered Property Act -- This act specifies that owning, operating, or conducting a chop shop is a criminal violation, and provides that it is a crime to

transport a motor vehicle part to or from a location known to be a chop shop. Several other offenses are included.

The Model Salvage Certificate and Junk Vehicle Act -- This legislation addresses the need for uniformity and standardization in salvage vehicle controls. The proposal also provides an effective procedure for the untitling of non-repairable vehicles on a permanent basis.

The Model Certificate of Title as Evidence Act -- The purpose of this act is to prevent the dismissal of cases by allowing the introduction in evidence of a certified copy of a vehicle title certificate as evidence of ownership and unauthorized use or possession of a vehicle. The act also provides for the perpetuation of testimony of a witness present in court at the time that a continuance is granted.

The Model Act Providing for Inspection and Cancellation of Titles and Exported Vehicles -- This legislative proposal would require an owner of a vehicle seeking to export it to surrender the certificate of title for the vehicle and to obtain a certified receipt of title cancellation.

The Model Act for the Return of Stolen Property Retained as Evidence -- This model provides a method for the release of property being held as evidence in a criminal proceeding. The prosecutor, upon receiving a request for the release of the property, provides notice to the defendant in order for the defendant to arrange for any appropriate inspection or tests.

To combat theft and fraud effectively, insurers are seeking the cooperation of federal and state law enforcement agencies, the Internal Revenue Service, State Bar Associations, Departments of Motor Vehicles, and the U.S. Postal Service. One problem in counteracting insurance fraud and theft is that the crimes are generally not given a high priority by law enforcement agencies. In an era of increased violent crime and drug trafficking, these higher priority crimes have overburdened law enforcement officers and prosecutors, and these limited resources have not allowed them to focus on fraud and theft. However, research has shown that due to the problems caused by our nation's recession, there is a high expectancy of many more incidences of theft and fraud.

X. CONCLUSIONS AND RECOMMENDATIONS

This report has been prepared as a response to the request from the Senate and House Committees on Appropriations. The emphasis has been upon the identification, description, and evaluation of existing and potential methods for reducing motor vehicle theft. Further theft reduction will require both individual and cooperative action by various Government agencies (including law enforcement groups at all levels), insurance companies and insurance groups, automobile rental and leasing companies, and consumers themselves. In preparing this report, this agency has contacted knowledgeable personnel in each of the aforementioned groups and this report encompasses all of the information obtained from them. Unfortunately, in many areas, there exists a dearth of quantitative material for measuring the effectiveness and benefits of specific measures. Where quantitative information is lacking, the report has summarized significant anecdotal data and expert opinion which has been offered. In the individual chapters of the report, suggestions and recommendations for action by the various groups involved have been enumerated. For convenience, these recommendations are summarized in this conclusion section together with other proposed actions.

A. Actions By The Federal Government

In the area of action by the Federal Government, the March 1991 Congressional report recommended that the existing Theft Act be modified to (1) allow the NHTSA to reestablish the median theft rate based upon current theft data and (2) allow the NHTSA to redesignate high-theft car lines as low theft if their theft rates has decreased sufficiently. We also recommended amending the existing statute to remove the existing limitation on the number of exemptions allowed each manufacturer from parts marking for use of an antitheft device. (See Appendix A.) Finally, it is proposed that the agency continue to monitor the results of the existing passenger car parts-marking program to determine whether any definitive conclusions can be made in the future regarding its efficacy.

B. Suggestions For Automotive Manufacturers and Dealers

Automotive manufacturers and dealers can do much to encourage the use of antitheft systems by offering and encouraging purchase of such devices in their show rooms. As stated earlier in this report, some manufacturers are planning to produce new car lines with hardened collars on the steering columns. The agency encourages such actions by manufacturers. Many vehicles are stolen by thieves who easily break the plastic steering column encasement, and are then able to start the car by bypassing the ignition system. The use of hardened steel collars rather than

plastic should discourage some thieves and slow others down. Additionally, manufacturers are installing antitheft devices as standard equipment on more vehicles. Manufacturers are now producing vehicles that are more resistant to "slim-jims" or devices used to slide between the window and the door panel to unlock the door. Also, manufacturers are strengthening the glass of the vehicles, making them more shatter proof. The efforts of manufacturers to design and develop cost effective antitheft systems have been especially noteworthy. The success of the General Motors' "PASS-KEY" system has been outstanding, and efforts for further improvement are encouraged.

Although dealer theft is not a relatively large problem, we believe the best approach for automobile dealers to take in attempting to deter vehicle theft would be for them to strengthen internal security, e.g., have background checks of potential employees, secure master keys, etc.; maximize ground security; and require that potential buyers, when test driving a vehicle, leave vehicle keys, the registration of their current vehicle, and a photocopy of the potential buyer's driver's license with the dealer. This would, at the minimum, leave a trail for investigators to follow in the event of a theft.

C. Actions By Automotive Insurers

As previously stated, all insurers should be encouraged to voluntarily provide discounts on comprehensive insurance premiums

for effective antitheft devices. Insurance companies should also expand their participation in and financial support for state programs such as those previously described and should also take the lead in publicizing and distributing to consumers public service announcements and advice for devices to help reduce vehicular theft.

D. Useful Actions By State And Community Law Enforcement Groups

Many states and communities have implemented successful programs aimed at reducing vehicle theft, some particularly aimed at juvenile joy riders. Programs involving decals and window etching are relatively inexpensive and have met with some success. More sophisticated hi-tech systems involving the State police, in conjunction with various electronic tracking systems can be effective where the magnitude of thefts justifies the initial costs.

In addressing the Committees' concern regarding stolen vehicles being involved in accidents, the agency has contacted numerous law enforcement agencies, state motor vehicle administrations, other organizations, and associations. No one was able to provide data that would be useful to support endeavors to prevent such occurrences. The agency reviewed its own National Center for Statistics and Analysis fatal accident reports, and based on that finding, there were, as of January 31, 1992, 31,369 fatal accidents reported for calendar year 1991. Of those, 204

involved a stolen vehicle. Unfortunately, noting of accidents involving stolen vehicles is not being performed at the police jurisdictions. Therefore, it is not possible to get an accurate count of stolen vehicles involved in accidents.

E. Actions To Alert Consumers

Estimates are that some 20 percent of all vehicles are stolen with keys left in the ignition by the driver. Cooperative public service announcements sponsored by insurance companies, law enforcement groups, and the automotive industry could help by alerting drivers to take the following basic precautions to avoid theft:

1. Never leave keys in the ignition when exiting the vehicle.
2. Always close all windows, lock all doors, and take keys with you when leaving the vehicle unattended.
3. Put all packages in the trunk, if possible, and out of sight of passers-by.
4. If the vehicle has an antitheft system, activate it when exiting.
5. Park the vehicle with wheels turned into the curb and apply the emergency brake. For front-wheel drive vehicles apply the emergency brake after the vehicle is in park; and for stick-shift vehicles, put the gear into first or reverse and apply the emergency brake. These steps will make it difficult to tow a vehicle.

In addition, the press releases issued by the Government and by the Insurance Institute for Highway Safety listing the vehicles with highest theft rates could be made more available to the general public via point of sale distribution by dealers, and through more publicity by the media.

APPENDIX ASYNOPSIS OF THE MARCH 1991 REPORT TO THE CONGRESS
AUTO THEFT AND RECOVERY

The Department of Transportation submitted to Congress in March 1991 a report on Auto Theft and Recovery -- Effects of the Motor Vehicle Theft Law Enforcement Act of 1984. Section 614 of the Motor Vehicle Theft Law Enforcement Act of 1984 (Theft Act) directed the Secretary to submit a report to Congress five years after the promulgation of the theft prevention standard in October 1985. The March 1991 report comprises the five year report.

Congress required the Secretary to include the following information in the report: motor vehicle theft and recovery statistics as well as their collection and reliability; the extent to which motor vehicles are dismantled and exported; the market for stolen parts; the cost and benefit of marking parts; arrest and prosecution of auto theft offenders; the Theft Act's effect on the cost of comprehensive insurance premiums; the adequacy of Federal and State theft laws; and an assessment of parts-marking benefits for other than passenger cars. Additionally, it requested recommendations on whether to continue the standard without change, amend the standard to include other classes of vehicles, or terminate the standard for future motor vehicles. It further stated that the Department could include legislative and administrative recommendations.

The Report evaluated the impact and effectiveness of the theft prevention standard. The theft and recovery data used for the evaluation was derived from the FBI's National Crime Information Center. In the study, theft rates were calculated in terms of thefts per 100,000 registered vehicles, and it indicated that for 1988 (the latest data available for that report) passenger car theft had increased by 22 percent since 1984. In 1988, there were 1,200,000 motor vehicles stolen, with passenger cars accounting for 73 percent of all motor vehicle thefts; light trucks, vans and multipurpose vehicles accounted for 18 percent. The effects of parts-marking was analyzed by comparing theft rates of marked and unmarked MYs 1987 and 1988 car lines to their receptive predecessor lines in 1985 and 1986. When this was done it showed that the theft rate of marked high-theft cars increased 3.4 percent in comparison with prior years (MY 1985 and 1986). The theft rate of low theft, unmarked cars increased 13.5 percent. The higher increase in the theft rate of low-theft vehicles in comparison with high-theft cars continues a trend that had existed for several years and, therefore, was not necessarily an indicator of the success of the Theft Act. After applying an adjustment for pre-existing trends, the difference in the change in theft rates between marked and unmarked cars was found to be statistically insignificant. Similarly, an analysis of recovery rates showed no statistically significant differences between marked and unmarked cars. The Department also analyzed theft claims of seven large insurers. This analysis indicated no

evidence that parts marking had reduced auto theft. It did indicate that insurance costs had increased for both marked and unmarked cars.

The Department found strong support for the parts-marking requirements by the law enforcement community. The report disclosed that those whose concerns focused on theft prevention and deterrence or the capture and prosecution of perpetrators believed that marking parts provided them a valuable tool. Additionally, these groups wanted to extend the coverage of the standard and make the markings used more permanent.

Analysis of the available data led to the conclusion that data used were inadequate and inconclusive for determining whether the parts-marking standard was effective in reducing theft. The Department commented in the report that it believed that it would be premature and costly at that time to extend parts marking to other classes of motor vehicles or to cover more passenger motor vehicles; however, the Department believed that the data did not support a conclusion to terminate the theft prevention standard. Instead, the Department reported that the program should be continued with several changes to enhance its efficiency.

There were three legislative amendments recommended:

- 1) Currently, Section 603(b)(2) of the Theft Act directs the Department to designate likely high-theft car lines based on their expected relationship to the median theft rate which was established for MYs 1983/84. The expected theft rate of a new model is compared to the established median theft rate of 3.2712 for model/calendar years 1983/84. However, theft rates of all automobiles have shown an increasing trend over time. Consequently, comparing each model year to the prior MYs 1983/84 median theft rate, could eventually result in most car lines falling above the median and thereby nearly all lines being designated as high-theft car lines and therefore subject to parts marking.
It was recommended that the statute be amended to allow the Department to establish a median theft rate every year based upon more current year data than that for MYs 1983/84. This would allow the Department to determine the likely high-theft designation of a car line for each new model year by comparison with the median theft rate for the most current year for which data are available. This procedure should result in a more equitable determination of car lines introduced after MYs 1983/84.

- 2) Presently, the Theft Act states that once a car line has been designated as likely high theft, it will be

receives an exemption from the marking requirements pursuant to Section 605 of the Theft Act. On the other hand, the statute does not preclude the Department from redesignating a likely low-theft car line to a likely high-theft line.

The Department recommended that the statute be amended by allowing the Department to redesignate a car line from likely high-theft to likely low-theft if that line has proven to be below an established median theft rate for a designated number of years.

- 3) Currently, the statute states that the Secretary may grant exemption for not more than 2 additional lines for any manufacturer for each model year. These exemptions are for antitheft devices installed as standard equipment and are applied in lieu of marking the vehicle's major component parts.

The third recommendation suggested to amend the statute to allow manufacturers an unlimited number of exemptions per year for the antitheft devices to be used in lieu of the parts-marking requirements on designated high-theft car lines. The Department believed that to encourage manufacturers to use antitheft systems as standard equipment on its vehicles, there should not be a ceiling on the number of lines to be authorized an exemption.

APPENDIX BDEFINITIONS

Active Antitheft System - any system where the operator is required to perform some other act than removing the key and locking the door when leaving the automobile.

Passive Antitheft System - any system which is engaged without any extra effort by the driver, aside from removal of the key and locking the door in the same fashion as would be required on an automobile without an antitheft device.

Alarm System - a device which provides any visual or audible indication of tampering with the vehicle. The alarm can utilize the horn of the automobile or any additional sound or lighting device which calls attention to the intrusion.

Disabling Device - a device that acts to cut off a key function necessary for the automobile to move under its own power; this could include fuel-cutoff switches and ignition, starter and electrical interrupters.

Motion Sensor - a device that activates an alarm and/or disabling device when the vehicle is either moved or bumped.

Aftermarket Device - anything other than original equipment antitheft devices sold directly to the vehicle owner.

Antitheft Device - a device to reduce or deter theft which the manufacturer believes will be effective in reducing or deterring theft of motor vehicles; this is in addition to the theft deterrent devices required by FMVSS 114.

Standard Equipment - equipment which is installed in a vehicle at the time it is delivered from the manufacturer and which is not an accessory or other item which the purchaser customarily has the option to have installed.

APPENDIX C

March 16, 1992

The Honorable Carol B. Hallett
Commissioner
U. S. Customs Service
Room 3636
1301 Constitution Avenue, NW
Washington, DC 20229

Dear Commissioner Hallett:

In the Senate and House Appropriations Bill, the Department of Transportation was required to prepare a Congressional report on auto theft resistance measures. This effort encompassed many areas of concern, one of which was the area of rental and leasing companies' theft experience.

One of the largest rental companies forwarded to the National Highway Traffic Safety Administration some suggested approaches to thwart the exportation of stolen vehicles into Mexico. A copy of that letter is enclosed.

The curtailment of vehicles being illegally taken into Mexico or across U.S. borders is not the responsibility of this Department. I, therefore, yield to your expertise in responding to the enclosed letter from Mr. Seth Kaminsky with AVIS Rent A Car System,

I appreciate your taking the time to address this issue.

Sincerely,

/s/

Jerry Ralph Curry

Enclosure

AVIS

An Employee-Owned Company

Avis Rent A Car
System, Inc.World Headquarters
900 Old Country Road
Garden City, New York 11530

Telephone: (516) 222-3391

SETH KAMINSKY
Vice President
Security and Corporate Services

October 2, 1991

Ms. Barbara Gray
NRM 20
National Highway Safety Administration
Department of Transportation
400 Seventh St., S. W.
Washington, DC 20590

Dear Barbara:

I have tried to gather some detail to follow through on your request but unfortunately, I do not have any decent statistical data which will help. We are, however doing a great many things to reduce our vehicular losses and increase our recoveries. Interestingly, most do not involve the vehicle itself, but rather our facilities, personnel, logistics, administration and systems. Each of these is a topic in itself but all are designed to better safeguard our most valuable asset, the motor vehicle. I will list some of these for you and perhaps there will be something in all this of value regarding your exercise.

Our internal loss prevention efforts include:

- o Ignition key custody and control
- o Strategic vehicle parking on Avis space
- o Fencing
- o Lighting
- o Facility alarming
- o Closed circuit television
- o Guards
- o Employee background checks
- o Substance abuse screening
- o Customer education information (e.g. Lock-It-and-Pocket-The-Key brochures, key tags and posters)
- o Computer tracking of fleet movements
- o Prompt and thorough follow-ups on rental overdues
- o Accurate missing vehicle reports
- o Timely theft reports to police
- o Insuring NCIC listing
- o Prompt vehicle recovery upon notification
- o Insuring cancellation of alarms with PD and NCIC
- o Developing do-not-rent customer files
- o Qualifying customers (to rent)
- o Tracking and investigating lost/stolen credit cards
- o Law enforcement liaison
- o Professional society liaison
(IAATI, NATB, IACP, ASIS)

Ms. Barbara Gray

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October 2, 1991

Regarding the vehicle itself, we have tried a number of approaches with minimal success. The approach and the primary reason for our abandoning same are as follows:

- o VIN etching of glass - Cost, defacing of vehicle, limited success in reducing losses.
- o Parts marking - Very costly, ineffective unless done by manufacturer and "known" on street.
- o After market alarms of all types - Customer "education" problems, generally defeatable.
- o Tracking devices - Costly, limited at present to select markets only, still being tested.

A simple approach that does work for us is stickers on cars advising would be thieves that "the parts of this car are marked and known to law enforcement authorities" or "tampering with the radio will render it inoperable". Also we put stickers on door posts to apprise law enforcement authorities of our after hour 800 number to facilitate the recovery of a car they might have located.

On the "wish list" side, there are a host of items, some of which are relatively simple that we believe would go a long way toward impacting the auto theft problem. On the manufacturing side, the most important thing they could do is to strengthen the steering column, preferably with a hardened steel sheath to prevent unauthorized ignition intrusion. The first thing we do in many higher crime areas as new cars arrive is to install these collars. The approach is inexpensive and effective. Factory installed alarms are helpful but are often expensive and not particularly effective.

Federal and State governments could . . .

- o Beef up vehicle theft enforcement especially U.S. Customs to put a dent in the vehicle export problem.
- o Strengthen procedures to impact containerized shipments.
- o Begin efforts to use automated systems to regulate the flow of vehicles into Mexico such that the cars of regular commuters would be so marked as to enable them to cross the border unimpeded but vehicles that should never cross the border (e.g. rental cars) would be so marked (or not marked) and stopped from crossing.

Ms. Barbara Gray

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October 2, 1991

- o Eliminate or tighten the personal use exportation exemption.
- o Initiate parts marking for light trucks, vans and multi-purpose vehicles.
- o Mark all key parts on all automobiles.
- o Initiate a major drive toward uniform state titling.
- o Develop efforts to insure stiffer sentences for auto theft conviction.

On the ownership side we believe far greater efforts can be made via a cooperative effort of the insurance industry, law enforcement, major fleet owners and the media to better educate vehicle owners on the cost and severity of the problem, providing guidelines on safeguarding their vehicle, providing insurance incentives for improved vehicle safeguards, hot lines, etc., etc.

Barbara, I am not sure how helpful any of this is but I have no magic answers other than our moving forward on our own with a variety of small things which together have helped us keep our losses in check. I personally think a great deal of time and effort is being spent on fooling around with "high line", "low line" and elaborate record keeping minutia when the only way we can really impact the parts marking aspect of the effort is to mark all key parts of all new cars. This would not only eliminate law enforcement and manufacturer confusion but also, and more importantly, would inject an effective message to auto thieves that they run a real risk regardless of which cars they steal and chop. I realize the resolution of this is more political than practical and that you are limited as to what you can do but from here, it would seem that we are spending considerable time and effort while the auto theft problem grows. Also, the entire project of parts marking does little to impact the joy riding/abandonment problem which many law enforcement people believe is now more serious than professional chopping.

We think that the exportation laws are among the weakest element in the fight against auto theft and we would welcome the opportunity to present our thoughts in greater detail to whatever "audience" you believe would be appropriate. We have some ideas which, for example, include the imposition of fees to be paid by vehicle exporters to fund the task of enforcing exportation laws. We anticipate moving forward here legislatively and would welcome the opportunity to work with your office toward accomplishing these objectives.

Sincerely,



SK/tc

Mrs. COLLINS. Mr. Rice, although you say there is no evidence that parts marking is effective in reducing auto theft, the advocates for highway and automobile safety and some of their literature have referred to a DOT report which says that the ability to trace and link a marked car to a stolen vehicle is a definite benefit and that—I am quoting now, “It seems logical to presume that parts marking would help reduce chop shop operations,” end quote.

Can you reconcile these statements in any way which identify benefits that are derived from parts marking from your view that you haven’t concluded that parts marking is an effective deterrent to auto theft?

Mr. RICE. Madam Chairwoman, I would not deny that in some cases there would be benefits, and I think the decision for this subcommittee is to determine whether it is cost-effective, and our reports have indicated that in examining those particular cars that have parts marked and those that do not, that we find no statistically significant difference in which cars are being stolen.

Now, you raised the question pertaining to whether they would assist in prosecution. I think clearly they would assist in prosecution. I think what we have to examine is the number that we are talking about and I would submit it has probably been very small.

Mrs. COLLINS. Well, there is another point of view that parts marking is effective. State Farm Insurance Company, for example, did an analysis to show that as parts marking was instituted on certain high theft lines beginning in 1987, these lines went from comprising 66.2 percent of the stolen vehicles in 1988 to 7.8 percent of stolen vehicles in 1991. That is a tremendous decrease.

Furthermore, light trucks, vans and utility vehicles, which are exempt from current parts marking requirements but would be covered by the new bill, increased from 24.8 percent of stolen vehicles in 1988 to 72.7 percent of vehicles in 1989.

Would you think that State Farm’s figures are wrong? And if not, do they constitute evidence that parts marking has a deterrent effect on automobile thefts?

Mr. FELRICE. Madam Chairwoman, if I can try and answer that. Before the Department submitted its report to Congress in 1991, which was a comprehensive report which analyzed 4 years of FBI data on thefts, we obtained data from seven large insurance companies and looked at their rate of comprehensive and theft claims for high theft car lines and low theft car lines, both before the parts marking took effect and afterwards. In addition, we also looked at recovery data because one would think that if parts marking helped significantly for law enforcement, that a higher percentage of the high theft car lines that had their parts marked would be recovered.

In looking at all those different data sources and hundreds of thousands of cases, and in addition, obtaining comments on our analyses from the public, including State Farm, other insurers, and law enforcement people, it was the Department’s conclusion that our data was the soundest database that existed, that nobody challenged that data.

In fact, most of the advocates for extending the program, there were many even when the draft of the 1991 report was published, had no factual basis for wanting to do that. It was more a case of

wishful thinking of some anecdotal data that said this information was useful in certain prosecutions, but from a national statistical sense, nobody could really challenge the Department's conclusion that parts marking did not seem to have a significant effect on reducing thefts.

We are not saying it doesn't work at all. We are saying the data can not prove that it works and therefore we oppose extending it.

Mrs. COLLINS. Well, let me back up just a minute and say for the record, would you give your full name and your titles for the record for our recorder here?

Mr. FELRICE. I am Barry Felrice, I am the Associate Administrator for Rulemaking at the National Highway Traffic Safety Administration.

Mrs. COLLINS. I guess the question is, if specialty vehicles rather than passenger automobiles are increasingly the targets of theft, as State Farm's figures indicate, wouldn't that be a good reason at the very least to include specialty vehicles under some kind of current parts marking program that the DOT already administers?

Mr. FELRICE. Well, I think State Farm is certainly correct and our report said the same thing, that light trucks and vans, sport utility vehicles, have been increasing in theft at a faster rate than have passenger cars in general, and we would all like to see that rate reduced. No one, I think in this room, is for automobile theft.

The problem is, would extending the parts marking requirement to those vehicles help reduce those thefts. We have no factual basis to say that is the case. We know it would cost the public, I think a figure was mentioned earlier, almost a quarter of a billion dollars a year to mark the parts of all light-duty vehicles, and the question is what benefits arise from that.

Mrs. COLLINS. Well, let me put it this way. If the parts marking is for high-theft vehicles or vehicles that are more or less rising in thefts, wouldn't it just make good sense to have those parts marked?

Mr. FELRICE. Well, you know, again I guess that was the decision of the Congress and the administration back in 1984 and the legislation was signed that it—parts marking would have a significant effect on reducing thefts. We were told to analyze it and we analyzed it and said, well, we thought that would happen. But, we see no evidence that it has happened and therefore are faced with the same situation.

Mrs. COLLINS. That is why we didn't have a lot of carjackings either. That is something that is relatively new, isn't it, these carjackings?

Mr. FELRICE. Unfortunately, yes.

Mrs. COLLINS. One of the reasons why we have all these carjackings, I would suspect, is because many of these people who sell drugs and what-have-you, know that if they have a car of their own, their license is going to be checked, their automobile is going to be taken away. So many of them go and carjack and use the car for whatever purpose they want to use it and get rid of the car and that is another purpose besides chop shopping that stolen cars are being used. The likelihood is that carjackings are going to continue, I would think.

Mr. RICE. I think you are probably right and of course that is addressed in title I as to whether you wish to make that a Federal crime.

Mrs. COLLINS. We know that, but it would seem to me that in case the car is disposed of in some way and the parts are found, that it would be a good idea to have some markings on those parts, but we can go a round Robin's Bend on that 2 or 3 times. I have asked you the question three different ways and you have given me three different answers to the same thing, so I am going to go on to Mr. McMillan.

Mr. McMILLAN. Thank you, Madam Chairwoman. I think we have focused on two things aside from the other law enforcement issues that maybe have some merit. It is cost and effectiveness, and I wanted to direct a question to have you do the test that you ran based on previous marking systems.

Did they also carry with them the same requirement that the user of those parts, who is potentially liable for the use of a stolen part, was that a part of the test? Because it seems to me that has got to be—simply identifying the part is not going to achieve the result that the Representative from New York would hope if it does not place responsibility upon the user, and that there is some penalty.

How about the test, when you say it was less than conclusive, was that a part of that testing procedure?

Mr. RICE. You are referring, Mr. McMillan, as to whether the small auto shops out there who are putting these parts on, whether they had to make any phone calls and find out whether the parts had been stolen?

Mr. McMILLAN. Right. Right.

Mr. RICE. No, that is not part of the present legislation, but I would—I picked up real quickly on Mr. Upton's analogy with the situation concerning "I Love Lucy" and the fact that once that train starts running, I am just not sure how many phone calls are going to have to be made to try to keep track of all those parts and whether the system can handle that type of a situation.

Mr. McMILLAN. Well, if you can't—if that won't work, then that is an issue of effectiveness.

Mr. RICE. Sir, I would also mention that there were, of course, criminal penalties for dealing in parts that were marked or any stolen parts, and in the high theft lines, the parts have been marked and of course the ability to prosecute has existed.

Mr. McMILLAN. Well, it seems to me if you don't have that responsibility, then the simple identification of the part by number is not necessarily going to provide a prevention of auto theft, which is really what we are trying to do, and cost effectiveness is really going to be determined by whether or not this program prevents auto theft, and to me that is the crucial issue, not whether Congress appears to be addressing a problem that people are very sensitized to and appropriately so, but whether we are really coming up with something that is going to make a difference.

Who in your judgment are the beneficiaries, principal beneficiaries of—would be of this legislation? We have—it was suggested by the gentleman from New York that there was one very certain special interest group that was opposed to it. I haven't heard from

them, so I don't know who he is referring to, but there are some others who are for it, insurance companies and law enforcement people, to name two, who are going to be the principal beneficiaries of a successful production in auto theft reduction.

Mr. RICE. I think if we can come up with a system that works, the American people are the beneficiary. Obviously if there is a reduction in insurance expenses, the insurance companies will also benefit and that is law enforcement's business out there. I think the question is whether we can come up with a program that works, number one, and number two, whether it is cost beneficial.

Mr. McMILLAN. And that we can rationalize that cost benefit? In other words, it was also testified that—well, \$50 million is not much money. Maybe it is not in the context of a \$400 billion deficit, but the \$400 billion deficit is made up of incremental programs of \$50 or whatever and it seems to me that we need to address that question. It is possible that if we pass this, then some other program is going to have to suffer within the Budget Enforcement Act as in law today, and I don't hear anyone suggesting which program is going to be reduced as a part of this legislation.

But is there another way in which the cost—assuming a program can be designed that is effective, and I realize there are questions about that, is there some way that that cost could be fixed in such a way that it doesn't come out of general revenue but becomes a part of the cost of the use of an automobile?

Because if the beneficiary is ultimately going to be the consumer, which I think is the case, then maybe an automobile that is identified appropriately, if the insurance companies think that would make a difference, would have a—carry with it a discount in the insurance premium, perhaps.

Mr. RICE. I think there has been a program which we addressed that has been effective and Mr. Upton also referred to it and it is the Michigan experience where the percent of car thefts has gone down by about 13 percent at the same time that the national rate has gone up over 30 percent, and if I may, I would like Mr. Felrice to address that particular program.

Mr. FELRICE. In Michigan, over the last 5 or 6 years as Mr. Rice mentioned, theft rates have gone down 13 percent while in the Nation they have risen 42 percent, and what Michigan basically does is have a \$1 surcharge on each automobile policy that is earmarked to reduce motor vehicle thefts, and it is given for grants for police and prosecutors. It is used for neighborhood and community and business associations, it is used for education as well as enforcement purposes.

Currently Michigan requires that insurance companies must give discounts in comprehensive coverage for vehicles that have certain anti-theft devices, which is one—which is the exemption that exists for parts marking in the current law that would be eliminated under Mr. Schumer's bill. Michigan says that those are effective, they have concluded that on what basis I don't know. But they have concluded that that is more effective than anything else and therefore they mandate that insurers give discounts. In fact, nine other States also require insurers to give discounts in that area.

So Michigan has a comprehensive program that seems to have worked. Which parts have been stolen more than others, I don't

think anyone knows, but the bottom line is thefts in Michigan have been dropping, whereas they have risen everywhere else.

Mr. McMILLAN. That is a fairly widespread practice in the insurance industry, is it not? I think in North Carolina anti-lock brakes, anti-theft devices and good traffic record and so forth and so on all become part of the cost of coverage and why shouldn't we be dealing with this in a similar fashion?

Mr. FELRICE. I think we could. I would just note for the record that—I mean if insurance companies really believe that parts marking is very effective, then they could offer discounts in advance so that consumers could reap the benefits that insurers believe would accrue to them from that program. But currently no automobile insurance company, as far as I am aware, offers any kind of discount for vehicles that have their parts marked.

Mr. McMILLAN. Well, I have no further questions, thank you.

Mrs. COLLINS. Mr. Upton.

Mr. UPTON. Thank you. I have a couple questions. I note, Mr. Rice, in your testimony that you said that the annual—that the NHTSA standards, you are looking at about 3.7 million cars, have actually been marked per your study; is that right? How many cars a year is that, about, what model line?

Mr. RICE. I am sorry, Mr. Upton. That is an annual marking. Basically we, through a process, determine which cars have a high, higher than average median theft rate.

Mr. UPTON. Is it a percentage of those cars marked or do you mark the whole line?

Mr. RICE. If a particular line is determined to be high theft, then all of the cars must be marked at this particular time, and that comes to 3.7 million cars per year.

Mr. UPTON. Can you for the record tell us what lines are, in fact, marked?

Mr. RICE. I don't have that information, but it is in the Federal Register notices and I can provide it for the record.

[The information follows:]

have only their engines and transmissions marked.

This final listing for the 1992 model year is intended to inform the public, particularly law enforcement groups, of the car lines that are subject to the marking requirements of the theft prevention standard for the 1992 model year.

EFFECTIVE DATE: This listing applies to the 1992 model year. The amendment made by this notice is effective September 4, 1991.

FOR FURTHER INFORMATION CONTACT: Ms. Barbara A. Gray, Office of Market Incentives, NHTSA, 400 Seventh Street SW., Washington, DC 20590. Ms. Gray's telephone number is (202) 366-1740.

SUPPLEMENTARY INFORMATION: The Federal Motor Vehicle Theft Prevention Standard, 49 CFR part 541, sets forth requirements for inscribing or affixing identification numbers onto covered original equipment major parts, and the replacement parts for those original equipment parts, on all vehicles in lines selected as high theft lines.

Section 603(a)(2) of the Motor Vehicle Information and Cost Savings Act (15 U.S.C. 2023(a)(2); hereinafter "the Cost Savings Act") specifies that NHTSA shall select the high theft lines, with the agreement of the manufacturer, if possible. Section 603(d) of the Cost Savings Act (15 U.S.C. 2023(d)) provides that once a line has been designated as a high theft line, it remains subject to the theft prevention standard unless that line is exempted under section 605 of the Cost Savings Act (15 U.S.C. 2025). Section 605 provides that a manufacturer may petition to have a high theft line exempted from the requirements of part 541, if the line is equipped as standard equipment with an anti-theft device. The exemption is granted if NHTSA determines that the anti-theft device is likely to be as effective as compliance with Part 541 in reducing and deterring motor vehicle thefts.

The agency annually publishes the names of the lines which were listed as high theft lines for one or more previous model years and of the lines which are being listed for the first time and will be subject to the theft prevention standard beginning with the next model year. This notice is intended to inform the public, particularly law enforcement groups, of the high theft car lines for the 1992 model year. It also identifies those car lines that are exempted from the theft prevention standard for the 1992 model year because of standard equipment anti-theft devices.

DEPARTMENT OF TRANSPORTATION

National Highway Traffic Safety Administration

49 CFR Part 541

(Docket No. T84-01; Notice 26)

RIN 2127-AD53

Final Listing of High Theft Lines for 1992 Model Year; Motor Vehicle Theft Prevention Standard

AGENCY: National Highway Traffic Safety Administration (NHTSA), DOT.

ACTION: Final rule; technical amendment.

SUMMARY: The purpose of this notice is to (1) report the results of this agency's actions for determining which car lines are subject to the marking requirements of the motor vehicle theft prevention standard for the 1992 model year and, (2) publish a list of those car lines. NHTSA has previously published lists of the car lines that were selected as high theft car lines for prior model years, beginning with the 1987 model year. The list in this notice includes all of the car lines in the previous lists, as well as four new lines that were introduced for the 1992 model year and that have been selected as likely high theft lines. In addition, this listing shows the five additional lines that have standard equipment anti-theft devices and have been granted exemptions from the requirements of the theft prevention standard beginning with the 1992 model year. Two more car lines have been exempted in part and are required to

The list includes the four new 1992 car lines selected by the agency in accordance with procedures published in 49 CFR part 542 as likely to be high theft lines. The list also includes all those lines that were selected as high theft lines and listed for prior model years.

The notice also includes seven high theft lines exempted by the agency, beginning from MY 1992, from the parts marking requirements of part 541. Five of these car lines are exempted in full from part 541, and two are exempted in part, with the manufacturer required to mark only the engines and transmissions of these vehicles.

Notice and comment, effective date. The car lines listed as being subject to the standard have been selected as high theft lines in accordance with the procedures of 49 CFR part 542 and section 603 of the Cost Savings Act. Under these procedures, manufacturers evaluate new car lines to conclude whether those new lines are likely to have high theft rates. Manufacturers submit these evaluations and conclusions to the agency, which makes an independent evaluation, and, on a preliminary basis, determines whether the new line should be subject to parts marking. NHTSA informs the manufacturer in writing of its evaluations and determinations, together with the factual information considered by the agency in making them. The manufacturer may request the agency to consider these preliminary determinations. Within 60 days of the receipt of the request, NHTSA makes its final determination. NHTSA informs the manufacturer by letter of these determinations and its response to the request for reconsideration. If there is no request for reconsideration, the agency's determination becomes final 45 days after sending the letter with the preliminary determination. Each of the new car lines on the high theft list is the subject of a final determination.

Similarly, the car lines listed as being exempt from the standard have been exempted in accordance with the procedures of 49 CFR part 543 and section 603 of the Cost Savings Act.

Therefore, NHTSA finds for good cause that notice and opportunity for comment on this listing are unnecessary. Further, public comment on the listing of selections and exemptions is not contemplated by title VI, and is unnecessary after the selections and exemptions have been made in accordance with the statutory criteria.

For the same reasons, since this revised listing only informs the public of previous agency actions, and does not impose any additional obligations on

any party, NHTSA finds for good cause that the amendment made by this notice should be effective as soon as it is published in the Federal Register.

Regulatory Impacts

NHTSA has determined that this rule listing the car lines that are high theft and are subject to the requirements of the vehicle theft prevention standard and the car lines that are exempt from the standard is neither "major" within the meaning of Executive Order 12291 nor "significant" within the meaning of Department of Transportation regulatory policies and procedures. As noted above, the selections have previously been made in accordance with the provisions of the Cost Savings Act, and the manufacturers of the selected lines have already been informed that those lines are subject to the requirements of part 541 for the 1992 model year. Further, this listing does not actually exempt lines from the requirements of part 541; it only informs the general public of all such previously granted exemptions. Since the only purpose of this final listing is to inform the public of prior agency action for the 1992 model year, a full regulatory evaluation has not been prepared.

The agency has also considered the effects of this listing under the Regulatory Flexibility Act. I hereby certify that this rule will not have a significant economic impact on a substantial number of small entities. As noted above, the effect of this notice is simply to inform the public of those lines that are subject to the requirements of Part 541 for the 1992 model year. The agency believes that listing of this information will not have any economic impact on small entities.

In accordance with the National Environmental Policy Act of 1969, the agency has considered the environmental impacts of this rule, and determined that it will not have any significant impact on the quality of the human environment.

Finally, this action has been analyzed in accordance with the principles and criteria contained in Executive Order 12612, and it has been determined that the proposed rulemaking does not have sufficient Federalism implications to warrant the preparation of a Federalism Assessment.

List of Subjects in 49 CFR Part 541

Administrative practice and procedure. Labeling. Motor vehicles. Reporting and recordkeeping requirements.

PART 541—(AMENDED)

In consideration of the foregoing, 49 CFR part 541 is amended as follows:

1. The authority citation for part 541 continues to read as follows:

Authority: 15 U.S.C. 2021-2024 and 2026; delegation of authority at 49 CFR 1.50

2. Appendix A of part 541 is revised to read as follows, appendix A-1 is revised to read as follows, and appendix A-2 is revised to read as follows:

Manufacturer	Subject lines
Alfa Romeo	Alfano 161, 164.
BMW	3-Car line, 7-Car line, 6-Car line.
Chrysler	Chrysler Executive Sedan/Limousine, Chrysler Fifth Avenue/Newport, Chrysler Laser, Chrysler LeBaron/Town & Country, Chrysler LeBaron GTS, Chrysler TC, Chrysler New Yorker Fifth Avenue, Dodge Aries, Dodge Daytona, Dodge Diplomat, Dodge Lancer, Dodge 600, Dodge Stealth, Eagle Tacon, Plymouth Cavalier, Plymouth Laser, Plymouth Gran Fury, Plymouth Reliant, Conquest GTP, Mondial 8, 308, 328, Ford Mustang, Ford Thunderbird, Ford Probe, Mercury Capri, Mercury Cougar, Lincoln Continental, Lincoln Mark, Lincoln Town Car, Mercury Scorpio, Mercury XR4Ti, Buick Electra, Buick LeSabre, Buick Reatta, Buick Regal, Buick Riviera, Cadillac Eldorado, Cadillac Seville, Chevrolet Nova, Chevrolet Lumina, Oldsmobile Cutlass Supreme, Oldsmobile Delta 88, Oldsmobile Toronado, Pontiac Fiero, Pontiac Grand Prix, Geo Storm, Geo Storm, Saturn Sports Coupe, Isuzu Impulse, Isuzu Stylus, XL, XJ-6, XJ-60, Lotus Elan.
Conquest	Conquest GTP.
Ford	Mondial 8, 308, 328, Ford Mustang, Ford Thunderbird, Ford Probe, Mercury Capri, Mercury Cougar, Lincoln Continental, Lincoln Mark, Lincoln Town Car, Mercury Scorpio, Mercury XR4Ti.
General Motors	Buick Electra, Buick LeSabre, Buick Reatta, Buick Regal, Buick Riviera, Cadillac Eldorado, Cadillac Seville, Chevrolet Nova, Chevrolet Lumina, Oldsmobile Cutlass Supreme, Oldsmobile Delta 88, Oldsmobile Toronado, Pontiac Fiero, Pontiac Grand Prix, Geo Storm, Saturn Sports Coupe, Isuzu Impulse, Isuzu Stylus.
Isuzu	Impulse, Stylus.
Jaguar	XL, XJ-6, XJ-60.
Lotus	Elan.

Manufacturer	Subject lines
Lexus	Blurbo Custroporia 228. G.L.C.
Mazda	828. MX-4. MX-5 Miata. MX-3. ¹
Mercedes-Benz	190 D/E. 250D-T. 260 E. 300 CE. 300 D/E. 300 SE. 300 SL. 300 TD. 300 TE. 300 SDL. 300 SEL. 380 SEC/500 SEC. 380 SEL/500 SEL. 390 SL. 420 SEL. 500 SL. 580 SEL. 680 SEC. 680 SL.
Mitsubishi	Cordia. Tredia. Eclipse. 3000GT.
Peugeot	405.
Porsche	924S.
Reliant	551.
Saab	900.
Subaru	XT. SVX. ¹
Toyota	Camry. Celica. Corolla/Corolla Sport. MR2. Starlet.
Volkswagen	Audi Quattro. Volkswagen Cabriolet. Volkswagen Rabbit. Volkswagen Scirocco. Volkswagen Corrado.

¹ Car lines added in Model Year 1992.

APPENDIX A-I.—HIGH-THEFT LINES WITH ANTI-THEFT DEVICES THAT ARE EXEMPTED FROM THE REQUIREMENTS OF THIS STANDARD PURSUANT TO 49 CFR PART 543

Manufacturer	Exempted lines
Austin Rover	Sterling.
BMW	7-Car line. 8-Car line. ¹
Chrysler	Chrysler Conquest. Imperial.
General Motors	Cadillac Atlanta. Chevrolet Corveta.
Honda	Acura NS-X. Acura Legend. Acura Vigor. ¹
Isuzu	Impulse (MYs 1987-1991).
Mazda	929. RX 7.
Mitsubishi	Galant. Starion.
Nissan	Maxima. 300ZX. Infiniti Q30. Infiniti Q45.
Porsche	911.

APPENDIX A-I.—HIGH-THEFT LINES WITH ANTI-THEFT DEVICES THAT ARE EXEMPTED FROM THE REQUIREMENTS OF THIS STANDARD PURSUANT TO 49 CFR PART 543—Continued

Manufacturer	Exempted lines
Saab	900. 900. ¹ 9000. Supra.
Toyota	Cressida. Lexus LS400. Lexus ES250. Lexus SC300. ¹ Lexus SC400. ¹
Volkswagen	Audi 5000S. Audi 100. Audi 200/S4. 480EB.
Vvo	

¹ Lines exempted in full from the requirements of part 541 pursuant to 49 CFR part 543, beginning in MY 1992.

APPENDIX A-II.—HIGH THEFT LINES WITH ANTI-THEFT DEVICES THAT ARE EXEMPTED IN PART FROM THE PARTS—MARKING REQUIREMENTS OF THIS STANDARD PURSUANT TO 49 CFR PART 543

Manufacturer	Exempted lines	Parts marked
General Motors	Chevrolet Camaro. Pontiac Firebird.	Engine, transmission. Engine, transmission.
	Cadillac Deville-Fleetwood. Oldsmobile 98	Engine, transmission. Engine, transmission.
General Motors	Buick Park Avenue. ¹ Pontiac Bonneville. ¹	Engine, transmission. Engine, transmission.

¹ Lines exempted in part from the requirements of part 541 pursuant to 49 CFR part 543, beginning in MY 1992.

Issued on: August 28, 1991.

Jerry Ralph Curry,
Administrator.

[FR Doc. 91-21045 Filed 9-3-91; 8:45 am]

FILING CODE 4910-02-01

CAR LINES EXEMPTED (IN FULL) BEGINNING FROM MODEL YEAR 1993

MERCEDES-BENZ	124/129 (the models within these lines are: 300E 300E 4-Matic 300TE 300TE 4-Matic 300CE 300CE Convertible 300E 2.6 300D 2.5 Turbo 300SL 400E 500E 500SL 600SL)
MITSUBISHI	Diamante
NISSAN	Infiniti J30

CAR LINES EXEMPTED (IN-PART) BEGINNING FROM MODEL YEAR 1993

GENERAL MOTORS	Buick LeSabre	Engine, Transmission*
	Oldsmobile 88 Royale	Engine, Transmission*

* Parts to Be Marked.

Mr. UPTON. Because the question, going back to the Chair's question, and I think it was State Farm or Allstate.

Mrs. COLLINS. State Farm.

Mr. UPTON. State Farm statistics where she cited a fairly dramatic drop, what was it, 63 to 7 percent?

Mrs. COLLINS. Something like that.

Mr. UPTON. And I know that State Farm is going to testify a little bit later, but it is amazing that your study, looking at 3.7 million cars annually, you are not able to find a significant number—significant numbers of change versus State Farm is really rather dramatic. What would you account for that? Did State Farm—you indicated that you had put this out for comment. Did State Farm, in fact, make those comments? Did they comment and, in fact, is this consistent with what they indicated for the record?

Mr. FELRICE. State Farm did comment. I was just looking over a summary of their comments and I don't see that they made these comments to us at that time. Now, the comments I think were due in the summer of 1990, so perhaps this is data that State Farm has accrued since that time.

We are always willing to look at additional data, and I am sure that perhaps for some car lines, parts marking has had an effect. The question is, overall, has it had an effect and that is what our data looked at. That is why we looked at all the car lines, not just 1 or 2 and really other than, as Mr. Rice said, the anti-theft devices on certain GM vehicles, we can't see anything that has had a significant effect in reducing automobile thefts.

Mr. UPTON. Other than perhaps what Michigan has done and that is require the insurance companies to mandate to some type of break for those consumers that decide to purchase such insurance?

Mr. FELRICE. Yes. There were a variety of programs in the States and municipalities, certainly insurers have programs, rental leasing companies have programs. There are a lot of things that worked and we tried to point this out in the April 1992 report to Congress in which we were asked to look at what everyone is doing to reduce theft. As we said before, there is no magic bullet. Our focus here this morning is simply on parts marking and from our experience, while we would love to have seen it work and work significantly, the data just don't bear that out.

Mr. UPTON. Question, Mr. Rice. You indicated in your testimony that one of the reasons that the Department objects to the bill is you don't have the personnel to go out into the field and require such. What does that mean, that you support perhaps the Department of Commerce taking this role instead of the Department of Transportation?

Mr. RICE. I was listening to what Mr. Sharp said concerning where—whether the information already existed and I know that EPA has it. I know that Commerce is involved in this particular area. Yet we have a tiny Agency and it is an area we do not deal with. It is an area that will fall right on Mr. Felrice's head so he may want to expand on those views, but clearly it isn't us.

Mr. UPTON. Thank you, I appreciate your time.

Mrs. COLLINS. Mr. Dingell.

Mr. DINGELL. Thank you, Madam Chairwoman. I want to commend you for holding this hearing today and for doing so on such

short notice. It shows great leadership on your part and I want to express my gratitude and commendations.

Second, I have an opening statement which I would like to have inserted in the appropriate place in the record.

Mrs. COLLINS. Without objection, so ordered.

Mr. DINGELL. Thank you, Madam Chairwoman.

[The opening statement of Hon. John D. Dingell follows:]

OPENING STATEMENT OF HON. JOHN D. DINGELL

I want to express my appreciation to you Madam Chairwoman, for holding this hearing today regarding these legislative proposals affecting the auto and other industries, auto workers, small businesses, consumers, among others.

In the case of the proposal by Representative Sharp, Senator Mikulski and others, to label motor vehicle parts with the country of origin, I commend these sponsors for their efforts. Their proposal can help encourage U.S. buyers to purchase motor vehicles manufactured in the United States. I understand that at least two domestic auto companies, Chrysler and Ford, now voluntarily label their vehicles in a way that indicates that, on average, more than 90 percent of the parts are made in the United States. That is useful. It will help the consumer to make choices in favor of U.S. industry and workers. The legislative proposals we are discussing today are similar.

I have previously identified concerns about some of the proposals. I expect that we will be able to resolve them quickly and fashion a bill that complements and is similar to the voluntary efforts of Ford and Chrysler. That is the approach I seek in considering these bills. I hope that it will have the strong support of the industry, the workers, and the sponsors.

In 1984 the Congress enacted the "Motor Vehicle Theft Law Enforcement Act of 1984." It was solely the work of this committee.

That law strengthened the U.S. Criminal Code relative to the illegal alteration or removal of motor vehicle identification numbers, the illegal trafficking of motor vehicles and motor vehicle parts, and the unlawful importation and exportation of motor vehicles. In addition, it established a new theft prevention requirement aimed solely at curtailing illegal "chop shop" operations by requiring the marking of the major original and replacement parts of "high theft" motor vehicles. The law had the broad support of police organizations, the insurance industry, the motor vehicle manufacturers, the recyclers, and many others.

Since that time, our committee has had extensive oversight of the Department of Transportation, the Department of Justice, and the Customs Service regarding these various auto theft issues and the implementation of the 1984 law. That oversight has shown:

—That in 1989 nearly 300,000 motor vehicles worth \$1 billion were stolen in California. Many of those vehicles were stolen for export to Mexico.

—That the international traffic of stolen vehicles is also a problem in New York, New Jersey, and Florida where vehicles are stolen for transport to Central and South America;

—That State laws are not uniform or adequate in the case of "titling" motor vehicles. Indeed, the Justice Department said: "The absence of uniformity and sophistication in State laws regulating vehicle titling and registration and salvage of used vehicles allowed enterprising criminals to find the weakest link to "wash" the stolen character of the vehicle." Justice added:

—That it was "disappointed" that a model law for the States has not been widely adopted.

—That about 9 to 25 percent of vehicles stolen relate to insurance fraud. Indeed, the Justice Department said: "One of the most disturbing trends in recent years, however, has been the increased amount of "giveaways" by vehicle owners who then report the vehicle as stolen in order to defraud their insurance company. This is a growing phenomenon that cuts across all geographical, occupational, and economic lines and levels;"

—That a predominant reason for theft is for transportation either for "joyriding" or as a "get-away" vehicle; and

—That the Justice Department believes that "law enforcement responsibility for vehicle theft rests primarily with State and local governments."

H.R. 4542 seeks to change the law we enacted in 1984 by imposing new and expanded requirements on the States at a time when they are having budget problems and on the auto industry at a time when it is in economic trouble. It also imposes

new duties on small businesses. Secretary of Transportation, Andrew H. Cards, Jr., in an August 28, 1992 letter opposing H.R. 4542 said it is "hard to conceive of a more impractical or costly burden on small business."

In a September 8, 1992 letter to me, the Automotive Dismantlers and Recyclers Association—one of the leading members of the Vehicle Theft Committee supportive of the 1984 legislation—wrote that they cannot support the "burdensome and costly requirements of title II and III." They said that these provisions would "force the closing of hundreds of small automotive recycling businesses and could result in the loss of thousands of jobs, without reducing auto theft crime."

The letter stresses that the burdens and cost of the legislation "fall entirely on legitimate businesses." It "will not stop the criminal operations that compete with honest automotive recycling businesses in meeting the demand for inexpensive replacement parts for vehicle repair."

Additionally, Secretary Card said that the requirement in H.R. 4542 to permanently mark windows would place an estimated burden on automobile manufacturers in excess of \$130 million "without proof of the effects of parts marking." As to the marking of windows, the Dismantlers Association states: "There is not a major market for used automotive glass on cars 5 years old or older because of insurance coverage. Windshields are currently bonded to vehicles and are very difficult to remove without breaking, making it too labor intensive to be cost effective for auto thieves to remove and sell."

The bottom line is that the bill does not address the real problem—namely, the prevention of thefts. It does not consider what this committee has learned in oversight since 1984. It is primarily aimed at trying to deal with "chop shops" which, according to the administration, are less than 20 percent of the problem. But even in the case of "chop shops" it is deficient.

It does not address the uniform titling and registration problem and it does not make it illegal to own, operate, or conduct a "chop shop" or to transport vehicles to or from a "chop shop."

It strikes from the law provisions aimed at encouraging automakers to build theft proof cars.

It also deletes from the existing 1984 law section 612 which the Transportation Department calls "vital" because it requires insurance companies to provide the Transportation Department with information "so that insurer premiums and other information can be analyzed to assist in the determination of the effectiveness of the programs."

I look forward to working with Chairwoman Collins, this subcommittee, and the full committee, to develop, taking into consideration the results of our oversight, reasonable and effective amendments to the 1984 law to address these deficiencies, while eliminating the burdens imposed by H.R. 4542 on small business and the States. As to the issue of parts-marking, I have no objection to providing authority for the Secretary of Transportation to alter, by rule, these requirements to better zero in on all the cars reasonably expected to be "chop shop" targets. However, we must also deal adequately with the problem of the theft itself and we must reduce the annual costs to the auto industry from the \$210 million estimated by Secretary Card down closer to the \$20 million costs under the 1984 law. Of course, the reporting provisions for the insurance industry must continue, as well as provisions aimed at improving mechanisms built into the vehicles to deter thieves.

Finally, I believe that motor vehicle theft has become an important national issue. I do not agree with the Justice Department view that it is primarily a State and local enforcement problem. The Federal Government under existing law and under this bill has extensive enforcement authority. It is rarely used. I think it is time that the Justice Department wake up to the fact that it is rising in importance to other crimes and needs greater attention by that Agency.

In addition, I note with great concern, people are engaging in a relatively new crime of "car jacking" which has had, in some cases, rather startling and terrible effects. Clearly, Federal enforcement against the perpetrators of such crimes, where appropriate, should be encouraged. But titles III and IV of this bill have nothing to do with that type of crime, despite suggestions to the contrary by some who purport to be safety advocates.

Mr. DINGELL. Madam Chairwoman, has a copy of the bill been made available to us from the other committees?

Mrs. COLLINS. Yes, it has.

Mr. DINGELL. It has? Madam Chairwoman, I have a few questions then.

I notice the Justice Department is here in the room. Are they here present, Madam Chairwoman?

Mrs. COLLINS. Yes.

Mr. DINGELL. Could we ask them to please come forward to the table, because I think they have a useful story to tell here, too.

Could you identify yourself, sir, please, for the record?

Mr. KEENEY. I am John Keeney, Mr. Dingell, Deputy Assistant Attorney General for the Criminal Division.

Mr. DINGELL. And you are here to speak on behalf of the Department of Justice on this matter?

Mr. KEENEY. Yes, sir.

Mr. DINGELL. Very well. In correspondence with the committee, the Justice Department said that it was a long-time advocate of improving State laws and procedures for vehicle titling, vehicle registration and control of vehicle salvage. It has advocated that the States adopt a model uniform code which would include a chapter dealing with this problem.

Justice urged support to promote such laws. It said that "the lack of"—and I am quoting now—"the lack of some laws at the State level, that is, the return of surrendered vehicle title to State of issuance, a salvage vehicle program, a VIN restoration program, facilitates the criminal's ability to dispose of stolen vehicles and parts. Moreover, when States operate programs that are not sufficiently integrated with each other, or, if well designed, are not sufficiently monitored and enforced, the criminal element moves to the weakest link to facilitate the reintroduction of the stolen vehicle or parts into the legitimate marketplace. One common practice is to wash the title of information about a vehicle's condition that is rebuilt or salvaged."

It is my understanding that H.R. 4542 does not address the general titling problem to which I have alluded and does not encourage the adoption of a uniform model code; is that correct?

Mr. KEENEY. It has a provision in there with respect to general titling, Mr. Chairman. I would like to defer to Transportation on that.

We think it is a good idea, and in my testimony before Mr. Schumer's committee, we deferred to the views of the local vehicle administrators. Now, in the testimony—

Mr. DINGELL. You say you deferred to who?

Mr. KEENEY. The views of the local vehicle administrators, and they come out in support of Mr. Schumer's bill. So our objections to the bill were withdrawn. So we do favor—

Mr. DINGELL. You are finding they do have then an adequate program of dealing with title?

Mr. KEENEY. What we are saying was that Mr. Schumer's bill, that we would not object to the adoption of Mr. Schumer's bill, H.R. 4542, insofar as it provides for uniform titling.

Mr. DINGELL. This is a splendid answer, and I very much appreciate it but it doesn't respond to the question. My concern is, can you tell us whether the States have met your objections by having an adequate program for reform of title?

Mr. KEENEY. We think, Mr. Chairman, that—let me get back. I am not trying to evade your question but the Schumer bill—

Mr. DINGELL. This is a simple question and since my time is limited, yours is too, I know you want to address the question and not debate whether you are addressing it. So please answer the question for me. Does this proposal address the question of title reform?

Mr. KEENEY. It doesn't totally answer the question, but we think something should be done with respect to some uniform titling provision whereby a—

Mr. DINGELL. Does it address that?

Mr. KEENEY. There is a central clearinghouse where a State can check and determine whether a title from another State is a valid title and whether it should be—

Mr. DINGELL. Please, let us focus on my question.

Mr. KEENEY. I am trying, Mr. Chairman.

Mr. DINGELL. Sometime when you and I have more time I will be delighted to sit and listen to them. I think that would help us both, but I am asking you to address the question of titling. You are telling me it does not deal with titling; is that correct?

Mr. KEENEY. No. I am saying it does—the Schumer bill has a provision. H.R. 4542 has a title dealing with titling and a uniform system, clearinghouse.

Mr. DINGELL. Where is that, please? I am delighted to hear that it has such a provision. In fact, you were surprised when you found it.

Mr. KEENEY. No, sir. We testified with respect to this before Mr. Schumer and—

Mr. DINGELL. Shouldn't be much difficulty finding it. I know it is obvious.

Mr. KEENEY. It should only take a minute here with the—

Mr. DINGELL. We have not had the bill made available to us, so I have had a little more difficulty finding these provisions.

Mr. KEENEY. Title II of the bill, of the Schumer bill, which is H.R. 4542.

Mr. DINGELL. What page? What section and what paragraph?

Mr. KEENEY. It provides a pretty comprehensive provision.

Mr. DINGELL. I am asking the title. I know you want to help me and I know you are being—

Mr. KEENEY. I am trying, Mr. Chairman.

Mr. DINGELL. If we focus and get together, I know—

Mr. KEENEY. Titled "Fraud," page 8 of the bill.

Mr. DINGELL. What section?

Mr. KEENEY. Title II in section 201. Section 201 it starts.

Mr. DINGELL. Where is—you say section 201?

Mr. KEENEY. Yes, sir. It starts at 201.

Mr. DINGELL. Section 201, as I note here, is a definition section.

Mr. KEENEY. That is what I said. It starts at 201, Mr. Chairman.

Mr. DINGELL. I have asked for where does it bring about titling reform and you have given me a definition section. Please give me the specific section.

Mr. KEENEY. What I am trying to do, Mr. Chairman, is tell you where it is. It starts with section 201 which is the provision. Thereafter, there is a comprehensive—

Mr. DINGELL. Where? Where? Where? You are an attorney.

Mr. KEENEY. You are an attorney, too, Mr. Chairman.

Mr. DINGELL. Let us proceed to cite a statute. Where in this section? If you were before a court, you would tell the court: Your Honor, it is here. And all I am asking you to do is give us the section. I know you are ready to do that, so please do. You have given us the definition section, which I found most interesting.

Mr. KEENEY. What I am trying to tell you is that the whole title—

Mr. DINGELL. No, no, no. You are here to testify. I am here to ask questions. You are here to answer, and I am asking you, what is the section that sets up the reform that you are telling me is in the bill. Now, if you can't do it, I have no objection to you saying you can't.

Mr. KEENEY. I am trying to do it, Mr. Chairman.

Mr. DINGELL. Well, I am waiting.

Mr. KEENEY. Title—Section 203 sets up a—

Mr. DINGELL. Section 203.

Mr. KEENEY. 203(b), Title Verification Requirements.

Mr. DINGELL. Section 203 what?

Mr. KEENEY. Section 203 of the Schumer bill.

Mr. DINGELL. Well, it says a State may, by written notice, elect to participate in the information system.

Mr. KEENEY. Yes, and if it doesn't, there are penalties.

Mr. DINGELL. Beg your pardon?

Mr. KEENEY. And if it doesn't, there are penalties.

Mr. DINGELL. Is that title reform? What this is is participation in a national motor vehicle title information section, information system. Now, this is a portion that you cited.

I am asking, where does that bring about title reform the Justice Department has said in extenso it needs? Now, please help me. Where?

Mr. KEENEY. Mr. Chairman, I have been trying to help you now for about 5 minutes here. It sets up a—

Mr. DINGELL. Well, try a little harder.

Mr. KEENEY. It sets up a system whereby the various States will—can go to a clearinghouse to determine whether—and if they don't join the system, there is a penalty. That is what we are referring to right here.

Mr. DINGELL. Mr. Keeney, I am going to ask the reporter, I am apparently having some trouble being understood. I am going to ask the reporter to assist us both by reading to you that which I have asked you to identify.

Please, Madam Reporter.

[The record was read as requested].

Mr. DINGELL. You have read us—Mr. Keeney, let me try and help you again. You have been asked to identify to us where this brings back or brings about the title reform that Justice has urged be given. You are citing here a section which says State participation in the national motor vehicle title information system.

Mr. KEENEY. Yes, sir.

Mr. DINGELL. And that is a permissive section and what you are saying is that the bill provides for an information system, and that is splendid, but it is not what I am asking you to give us. I am asking you to tell us where it brings about title reform.

Mr. ADAMS. You are asking, sir—

Mr. DINGELL. What is your name, please, sir, so we have got a good record?

Mr. ADAMS. My name is Roger Adams. I am an attorney in the criminal—

Mr. DINGELL. I am delighted to meet you. Would you tell us—Mr. Keeney is having great trouble with this question. Would you answer it for him, please?

Mr. ADAMS. I think, sir, your question is, does the bill have anything to do with encouraging the States to improve their titling system—

Mr. DINGELL. Let me repeat my question, because I want both you and Mr. Keeney both to understand the question. Where is the title reform in this bill that the Department of Justice has said is needed? And please give me the citation of the particular section.

Now, Mr. Keeney is having difficulty. I know that you will do it easily and I await your answer.

Mr. ADAMS. I am not prepared to do it easily, but my understanding of the bill is—and we would be glad to be corrected by our colleagues from the Transportation Department if I am wrong. I don't think the bill has anything to do with requiring the States to improve their own titling procedure.

Mr. DINGELL. You say it doesn't?

Mr. ADAMS. I don't think it does.

Mr. DINGELL. OK. Now, would you please inform Mr. Keeney of that? Because Mr. Keeney says it does.

Mr. ADAMS. He is fully aware of that, sir.

Mr. DINGELL. Beg your pardon?

Mr. ADAMS. I believe Mr. Keeney was fully aware.

Mr. DINGELL. Are you and Mr. Keeney then in agreement that this does not bring about the reform of the title system by the States, which the Justice Department said is needed?

Mr. ADAMS. It is my understanding that the bill doesn't. I would be glad to have that confirmed by our colleagues from Transportation.

Mr. DINGELL. I have asked you and I have asked Mr. Keeney, who is laboring mightily here, to tell us where in the bill there is a section which brings that about.

Now, Mr. Keeney has cited me two sections which I find most interesting, the first of which deals with the establishment of an information system, the second of which permits the State to participate in that information system. I am still asking where is title reform.

Mr. KEENEY It doesn't directly address it, you are right. But what it does do is set up a system that—

Mr. DINGELL. Let us proceed to our next question, because I know you understand the time of the committee is limited.

Title II of the bill requires DOT to establish by 1996 a National Motor Vehicle Title Information System to enable users of the system to instantly determine, among other things, the validity and status of certificates of title.

I understand that Secretary Card opposes this system because it would duplicate an existing electronic system called the National Law Enforcement Telecommunications System. Now, is that, gen-

tleman here on behalf of the Justice Department, is that a fair statement?

Mr. RICE. Transportation, sir?

Mr. DINGELL. Yes, sir.

Mr. RICE. Yes, sir, that is correct.

Mr. DINGELL. Now, regardless of the system which is used, I presume it is heavily dependent upon the reliability and timeliness of the information in the system. If the Justice Department contends a number of State laws and programs are not adequate and integrated, how will either system insure reliable and timely information that will thwart fraud? Would you, on behalf of the Department of Transportation, wish to give us an answer?

Mr. RICE. Mr. Chairman, if the system can't be responsive quickly enough, it can't be of any assistance. Our position right now is that there is a system out there. If it is going to resolve the problem—the problem was stated that it would be—there is a need for one State to examine the title of another State to determine whether it is fraudulent.

We responded, the Department of Transportation, that that ability already exists through the National Law Enforcement Telecommunications System. So if that is the problem we are trying to solve, there is a solution already out there through NLETS.

Mr. DINGELL. Now, how good would the title information that is required by the bill that we are discussing be in comparison with that which is already available through the existing system to which you have been referring?

Mr. RICE. My understanding, Mr. Chairman, is that it is basically the same information. It is tied—NLETS is tied in through law enforcement agencies. It is a not-for-profit corporation, but it has access to the titles of the different States and the information would be the same as I have indicated under this particular title.

Mr. DINGELL. Now, I would note that the Association of Dismantlers and Recyclers say that each State's vehicle titling laws differ and that the bill incorrectly presupposes that all States have titles for junk or salvage vehicles which correspond with definitions in the bill. Is that a fair statement of a problem here?

Mr. RICE. I am not certain I know the answer to that one, Mr. Chairman, but I can't disagree with it.

Mr. DINGELL. Mr. Keeney, you have been helpful to us. Would you want to tell us the answer to that question?

Mr. KEENEY. I can't help you on that one, Mr. Chairman.

Mr. DINGELL. Now, is there any provision in the bill giving the Secretary of DOT the power to establish common titling definitions and standards?

Mr. RICE. No, Mr. Chairman.

Mr. DINGELL. Mr. Keeney, is that—you and your associate there agree with that statement?

Mr. KEENEY. That is consistent with our understanding.

Mr. DINGELL. Is that a lack in the bill?

Mr. KEENEY. Well, it may be, Mr. Chairman, but what it does do, and I have been trying to say this repeatedly, is that it—

Mr. DINGELL. Mr. Keeney, I want to hear you but you have got to understand, our time is limited here, and it is unfortunately neces-

sary for me to focus on the concerns that I have as the chairman of this committee and I hope you will assist me in that regard.

Now, does the bill require the States to establish a common titling system?

Mr. RICE. No, Mr. Chairman.

Mr. DINGELL. I am curious then. We have established a system which duplicates existing systems and which doesn't impose any of the new benefits which I think we agree are needed. What would then be the benefit of the new system, if you please, sir?

Mr. RICE. Mr. Chairman, that is the reason the Department of Transportation opposes title II of this particular H.R. 4542.

Mr. DINGELL. Mr. Keeney, as a distinguished legal scholar, can you tell us what would be the benefit of the new system if it doesn't require the States to improve their titling and see to it that there is common information here available for a response in real time?

Mr. KEENEY. Mr. Chairman, we do, as we have in the past, deferred to the Department of Transportation on that issue.

Mr. DINGELL. Now, as I understand the bill, State participation in the new information system appears voluntary, and we have already agreed on that, but the bill also provides a penalty if the States fail to participate. That penalty is withholding of highway funds. I note that DOT opposes this penalty; is that correct, sir?

Mr. RICE. Yes, Mr. Chairman.

Mr. DINGELL. And I understand the Public Works Committee of the House also opposes this provision.

Now, if this provision is deleted or even if it is not and some or all of the States don't elect to participate, the States would be released from supplying information to the system; is that correct?

Mr. RICE. I think—this may be an assumption on my part, Mr. Chairman, but I think the bill presumes that nobody can afford not to take their construction money and so they are assuming that all 50 States will participate. If all 50 States do not participate, I think the title would fall on its face.

Mr. DINGELL. Won't work because you are not going to have full participation. It will just simply open a lot of places where people can go with stolen vehicles; isn't that right?

Mr. RICE. Yes, Mr. Chairman.

Mr. DINGELL. In the comfortable expectation nobody is going to catch them; is that right?

Mr. RICE. I would suspect so.

Mr. DINGELL. Now, the Automobile Dismantlers and Recyclers Association say that this would place the burden completely on them and not on State or local authorities if the events occur as you and I have been discussing. Is that a fair statement?

Mr. RICE. They certainly have a burden in that they have this reporting requirement which is extensive, and yet it is a monthly report and a lot of damage can be done concerning auto loss, as we have already heard, in the month before the report comes in.

Mr. DINGELL. I think we would have to agree then that a system of this kind would not be reliable; is that correct?

Mr. RICE. Well, it is the position of the Department of Transportation that we oppose it.

Mr. DINGELL. Now, I would note this. The bill seems to require reporting by the dismantlers and insurers beginning 6 months after enactment to the Secretary. That would mean that reporting would commence early next year, but the new information system is not required to be established until 1996. Are those two statements correct?

Mr. RICE. I believe they are correct, sir.

Mr. DINGELL. Am I right on this, Mr. Keeney?

Mr. KEENEY. I defer to the Transportation Department again.

Mr. DINGELL. Now, I am curious. We have here then an interesting situation where reporting by dismantlers insurers commence 6 months after enactment, and the new information system is not established until 1996. I am curious, what is the purpose of this early reporting if the requesters can't get information from the Secretary until 1996?

Mr. RICE. Mr. Chairman, I can't answer that question.

Mr. KEENEY. You have to ask the drafter of the bill, not us, on that, Mr. Chairman.

Mr. DINGELL. We tend to be very careful in our drafting of legislation here and when we find these anomalies, they pique our curiosity mightily.

Gentlemen, does the present law or does the bill make it a criminal offense to own, operate, control or to conduct a chop shop operation?

Mr. KEENEY. Not as such.

Mr. DINGELL. Neither? It is not a crime either under the bill or under existing law, is it?

Mr. KEENEY. Not that I am aware of. Not to operate as such, but the actual carrying out of the activity, the alteration of the VIN's, the transportation of the stolen cars and so forth are violations, and I know of no provision that says a chop shop itself, by itself, is illegal.

Mr. DINGELL. Now, is it a crime under present law or under the bill to transport a vehicle or a vehicle part to or from a chop shop?

Mr. KEENEY. If it is transported in interstate commerce, yes.

Mr. DINGELL. You mean if I transport a part to or from a chop shop in interstate commerce, it is an illegal act under current law?

Mr. ADAMS. If it is stolen, yes, interstate transportation of stolen property.

Mr. DINGELL. I didn't say that. I said, is it illegal or is it an illegal act to transport a part to or from a chop shop? I didn't ask if it is stolen. I just said, is it illegal?

Now, your answer is: No, it is not illegal unless it is a stolen part. Is that a fair response to the question?

Mr. ADAMS. Under Federal law it is an offense to transport stolen property in interstate commerce.

Mr. DINGELL. But that would not be because it was transported from a chop shop. It would simply be because you are transporting stolen property in interstate commerce which is a violation of a general statute that covers everything from washing machines and baby diapers to automobiles and firearms; is that right?

Mr. KEENEY. Yes, sir, that is correct.

Mr. DINGELL. Now, does the amended bill eliminate reporting requirements as set out in the 1984 law, which was enacted under

the aegis of this committee, by insurance companies about thefts, and receives a number of vehicles recovered intact, the loss data of insurers, their rates and actions taken by insurers to deter or reduce thefts and other relevant information?

Mr. RICE. Yes, it does, Mr. Chairman.

Mr. DINGELL. So it eliminates all those reporting requirements?

Mr. RICE. I beg your pardon. Yes, it does eliminate the requirement of the insurance companies to report. It doesn't eliminate the Department of Transportation's responsibility to gather the data.

Mr. DINGELL. Now, this is interesting because what I gather is that they have eliminated the responsibility of the insurance companies to report. Is that right?

Mr. RICE. That is correct, Mr. Chairman.

Mr. DINGELL. But DOT still has to collect the data?

Mr. RICE. That is correct, Mr. Chairman.

Mr. DINGELL. So now DOT has been collecting this information from the insurance companies; is that right?

Mr. RICE. Under the 1984 act, they are required to provide that information and we are gathering it and we used it in our reports to Congress.

Mr. DINGELL. So now they don't have to provide that information to you; is that right?

Mr. RICE. Under this new bill, that is correct.

Mr. DINGELL. Has that information been useful to DOT?

Mr. FELRICE. Yes. As Mr. Rice mentioned, we have used it in our reports to Congress, we have used insurance data in analyzing whether the parts marking had an effect. So yes, we do use it.

Mr. DINGELL. Be useful in law enforcement, is it not?

Mr. RICE. Yes, Mr. Chairman.

Mr. DINGELL. Mr. Keeney, useful in law enforcement?

Mr. KEENEY. Yes.

Mr. DINGELL. Why, I am curious, are we deleting this information?

Mr. RICE. I have no answer for you on that, Mr. Chairman. I did want to mention that—

Mr. DINGELL. Did any agency of government request this information be deleted as an undue burden on these unfortunate suffering insurance companies?

Mr. RICE. No agency that I am aware of, but in the—in section 602(d) under "Construction," it says, "Nothing in this title" I am reading this from H.R. 4542 now. It says, "Nothing in this title should be construed to grant authority to require any person to keep records or make reports, except as expressly provided in sections 604(a)," which applies to manufacturers, "and 612," which doesn't exist in H.R. 4542 anymore.

Mr. DINGELL. So they are going to have people as required by section 612 which no longer exists keep records and it is going to require that the manufacturers to keep records; is that right?

Mr. RICE. That is right, Mr. Chairman.

Mr. DINGELL. But it is not going to require the insurance companies to keep records?

Mr. RICE. Under the present 1984 act, section 612 is the requirement on the insurance companies, but it does not exist in the present bill.

Mr. DINGELL. I am interested. We are coming now to the point, where is DOT going to get this information that the insurance companies don't any longer have to provide for it, and what authority is DOT going to use to require production of information by any person on this?

Mr. RICE. The bill is rather specific as to where we can gather information from.

Mr. DINGELL. Where do you gather the information?

Mr. RICE. It says we may gather it under 604(a), which is from the manufacturers, and 612, which does not exist in the bill but used to be the insurance companies' requirement.

I don't have a good answer for you on that, Mr. Chairman. It is something that certainly is confusing.

Mr. DINGELL. Would I be fair in inferring that the insurance companies must have wanted this section very badly?

Mr. RICE. I suspect, Mr. Chairman, that you can infer anything you want.

Mr. DINGELL. Would there be any other good-hearted public citizen who wanted this other than the insurance company?

Mr. RICE. I would suspect not, Mr. Chairman.

Mr. DINGELL. So would I.

Now, let's talk about the cost here. DOT has some views on the costs of parts marking under the bill. Is it less than the \$6 per vehicle?

Mr. RICE. Are you referring to the present bill that is before us?

Mr. DINGELL. Yes, sir, the bill that we are talking about, yes, sir.

Mr. RICE. Our figures indicate that it is going to be somewhere up around \$15 per vehicle.

Mr. DINGELL. Fifteen dollars per vehicle.

Mr. RICE. Which is in the bill. It limits us to \$15 and that is about where it is going to come out when you start talking about etching windows, and—

Mr. DINGELL. If you etch windows, what is it going to cost?

Mr. RICE. I think we came up with about \$9—

Mr. FELRICE. We thought that marking the windows, the major windows, as would be required in the bill, would cost about \$9 or \$10 a vehicle. That would be added to the existing \$4.50 a vehicle for marking the other parts. So it would be \$15 a vehicle that way. That cost, though, excludes the etching of the transmissions and engines and frames, which is excluded from the \$15 limit.

Mr. DINGELL. Now, I note that windows, is there a great trade in windows from automobiles?

Mr. FELRICE. We are not aware of any trafficking in windows themselves as an item of loss.

Mr. DINGELL. I know chop shops cut up cars. Do they also cut up windows?

Mr. RICE. I am not sure, Mr. Chairman, if the window goes with the door or not.

Mr. DINGELL. Mr. Keeney, could you help us?

Mr. KEENEY. I can't help you on that, Mr. Chairman. The chop shop cuts up parts and the parts would presumably include windows, but they would cut up—they would dismantle a car and sell the various parts and I would assume that windows would be—

Mr. DINGELL. Do you know that they sell windows?

Mr. KEENEY. I don't know that but in my own experience I know there are a lot of window replacements and windows are expensive and it would seem to me that it would be something they would try to sell.

Mr. DINGELL. This speculation is exciting, but do you know this or are you speculating?

Mr. KEENEY. I do not know that. I am just trying to tell you what I do know, Mr. Chairman.

Mr. DINGELL. I seek your knowledge, not your speculation. We can enjoy speculating together some other time, I am sure.

Now, Secretary Card had this to say. It would place—well, here is what the Dismantlers Association said: "There is not a major market for used automotive glass or in cars 5 years old or older because of insurance coverage. Windshields are currently bonded to vehicles and are very difficult to remove without breaking, may be making it too labor intensive to be cost-effective for auto thieves to move and sell."

Does that sound right to you, gentlemen?

Mr. KEENEY. I don't have any comment on that, Mr. Chairman. I just don't know.

Mr. DINGELL. Department of Transportation systems?

Mr. RICE. I would suspect concerning the front window and the rear window that is probably an accurate statement. We have a standard requiring front windows to be bonded to a certain standard and I would suspect they would be difficult to get out.

Mr. DINGELL. Bonded for safety purposes; is that right?

Mr. RICE. Yes, Mr. Chairman.

Mr. DINGELL. So the window doesn't come flying out when there is an accident?

Mr. RICE. That is correct.

Mr. DINGELL. That would make removal somewhat hard, wouldn't it?

Mr. RICE. Yes, Mr. Chairman.

Mr. DINGELL. As a matter of fact, very difficult?

Mr. RICE. I would suspect so.

Mr. DINGELL. As a matter of fact, would I be fair to infer that those windows would probably break before they would come out with the impact of an accident?

Mr. RICE. I would suspect but I really don't know.

Mr. DINGELL. Now, the automobile manufacturers, I am told, suggested to Mr. Schumer that if parts marking is expanded, that the insurance industry, through a \$1 premium on comprehensive policies, and if that were adopted their opposition would probably evaporate. Is this a viable approach since the consumer is going to pay the cost either way?

Mr. RICE. Mr. Chairman, I am unaware of that and it would be pure speculation what I thought on that.

Mr. DINGELL. In a letter to me this week, the Justice Department does not indicate its views for or against the bill on each of its four titles.

Mr. Keeney, what is the administration's position and what is the Department of Justice and what is the Department of Transportation position? Are you all together down there?

Mr. KEENEY. I would have to go through title by title to tell you what our position is. Title I, the basic provision in the bill, we do not oppose, but we made the comment to Mr. Schumer as we make now that normally we would prefer that these matters be handled at a local level, but the additional authority—

Mr. DINGELL. That indicates that you really think it would be a better idea if title I were not adopted; is that right? You don't oppose it, but you think it would be better done at the local level? Does that mean you then enthusiastically support it or that you don't oppose but you don't support?

Mr. KEENEY. Mr. Chairman, what it means is that we don't oppose. It would give us additional authority which we could use in a limited number of cases, but insofar as priorities are concerned, this would not be a high priority of the Department of Justice.

Mr. DINGELL. Is this the view of the Department of Transportation?

Mr. RICE. Mr. Chairman, we would defer to Justice on the issues pertaining to title I.

Mr. DINGELL. OK. What about title II? That is the one that has that wonderful definition section that you so—that so struck you, Mr. Keeney.

Mr. KEENEY. Yes. We deferred on this to the Department of Transportation, which I understand opposes it.

Mr. DINGELL. What is the view of the Department of Transportation.

Mr. RICE. We oppose title II, Mr. Chairman.

Mr. DINGELL. Title III?

Mr. RICE. We oppose title III also, strongly.

Mr. DINGELL. Mr. Keeney, are you with the administration?

Mr. KEENEY. We are with the administration.

Mr. DINGELL. So you oppose title III?

Mr. KEENEY. We defer to the Department of Transportation on title III. It is a question of—

Mr. DINGELL. You join them then in opposition?

Mr. KEENEY. Yes, but if I may explain our position. We believe that the provision would have some law enforcement impact. It could be of some help from a deterrent standpoint and also from an investigative and prosecutive standpoint, but we think it is a question of cost-effectiveness and we defer to Transportation on that judgment.

Mr. DINGELL. Title IV, is the administration together or do you have again a divided view?

Mr. RICE. Mr. Chairman, title IV deals specifically with Customs and Mr. Don Gillman is here from Customs. I discussed the matter earlier with him and I don't believe Customs has—

Mr. DINGELL. I am afraid to depose poor Mr. Gillman. I know that we have had so much difficulty getting the administration together on this bill up until now that I am not sure I wish to draw him into this thicket.

How about title IV?

Mr. RICE. That is what we are referring to, is the Customs provisions.

Mr. DINGELL. The Judiciary Committee prints these reports differently than we do. They go title III, title VI and then I find,

behold, title IV, and I was confused by this and I must apologize to you gentlemen. I thank you all, very much. Mr. Keeney, I have enjoyed our interchange. Thank you also, gentlemen.

Madam Chairwoman, you have been most gracious.

Mrs. COLLINS. Thank you, Mr. Chairman.

Mrs. COLLINS. Well, we certainly thank all of our witnesses for appearing before us.

Our next panel will be Mr. Thomas H. Hanna, who is the president of the Motor Vehicle Manufacturers Association; Mr. Alan Reuther, who is the legislative director of United Auto Workers; Mr. Herman Brandau, who is associate general counsel for the State Farm Mutual Automobile Insurance Company; Mr. George Nield, president of the Association of International Automobile Manufacturers; and Mr. James Watson, vice president of the ABC Automobile Parts in Blue Island, Illinois. Won't you come forward, please.

We are faced with a problem and that is that we are expecting a vote very shortly on the rule on the family leave bill and then the family leave bill is coming up after that, and for that reason the Chair is going to be very strict with the 5-minute rule under which this committee is supposed to be operating. So when you see the red light go off, it means that your 5 minutes has expired.

Our first testimony will be from Mr. Thomas H. Hanna, who is the president of the Motor Vehicle Manufacturers Association.

Mr. Hanna.

STATEMENTS OF THOMAS H. HANNA, PRESIDENT, MOTOR VEHICLE MANUFACTURERS ASSOCIATION; ALAN REUTHER, LEGISLATIVE DIRECTOR, UNITED AUTO WORKERS INTERNATIONAL UNION; JACK GILLIS, DIRECTOR OF PUBLIC AFFAIRS, CONSUMER FEDERATION OF AMERICA; HERMAN BRANDAU, ASSOCIATE GENERAL COUNSEL, STATE FARM INSURANCE COMPANIES; GEORGE C. NIELD, PRESIDENT, ASSOCIATION OF INTERNATIONAL AUTOMOBILE MANUFACTURERS; AND JAMES WATSON, VICE PRESIDENT, ABC AUTO PARTS, ON BEHALF OF AUTOMOTIVE DISMANTLERS AND RECYCLERS ASSOCIATION

Mr. HANNA. Thank you, Madam Chairwoman. I am Tom Hanna and I am President of MVMA, and will address briefly both the proposed legislation involving car loss and domestic content labeling.

MVMA and its member companies support State and Federal activities directed at reducing the loss of cars and trucks. Consequently, we urge that titles I, II and IV of H.R. 4542, the Anti Car loss Act of 1992, go forward. This includes incidentally the provision making carjacking a Federal offense. We support that provision of the bill and urge its passage.

We cannot, however, support the expansion of the existing vehicle parts marking requirements in title III, which includes additional vehicles and parts. There is no evidence that the existing parts marking requirements are reducing vehicle loss or lowering insurance premiums.

Under the existing Motor Vehicle loss Law Enforcement Act, manufacturers currently spend approximately \$15 million each

year to mark the engines, transmissions and major body panels of their high loss models. Automakers today are also equipping many of their cars with loss deterrent devices such as sophisticated ignition key systems which have been proven to be more effective than parts marking at reducing vehicle loss.

And I would point out at this time that there is an exhibition of vehicles just outside the horseshoe that are available to anyone that would like to examine them and talk with the experts there.

Manufacturers are now allowed exemptions from parts marking requirements on up to two car lines per year if they are equipped with effective loss deterrent devices. H.R. 4542 would remove the incentives for manufacturers to develop these devices by resending the currently allowed exemption for vehicles equipped with an approved device. We think this is a mistake.

One of the other major components of this existing act is a requirement that the Department of Transportation issue a 5-year report evaluating the impact and effectiveness of the law, which they have done and which you have heard testimony this morning. What they find out is that there is no evidence in the record to substantiate or justify an expansion of the parts marking system. It doesn't work.

The report also recommended giving manufacturers increased exemptions for vehicles equipped with effective loss deterrent devices. However, H.R. 4542 ignores the findings and recommendations of the DOT report by first greatly expanding the scope of the parts marking. Second, significantly increasing the number of parts to be marked from up to 14 to 23 or more. And third, eliminating the exemption for vehicles with defective devices.

Finally, there is the subject of cost. Fifteen dollars a car might not seem like much. However, in a good year when production levels reach 15 million units, that is \$225 million, and for what? Despite the millions that manufacturers have spent since the parts marking program began, there has been a total of only 107 convictions under the parts marking sections of the loss act.

To look at it another way, assuming the cost limit of \$115 per vehicle and holding the current fleet cost at 190 million vehicles, by the time the fleet turns over, automakers will have spent \$2.8 billion to comply with the marking requirements in H.R. 4542. Now, that may not seem like much to some, but to companies struggling to stay alive and provide jobs, it is huge, particularly with no evidence that this will in any way deter loss.

In summary, we support the provisions in titles II, III and IV of H.R. 4542 to reduce vehicle loss, but we urge that title III be deleted or substantially modified.

And I would like to turn just briefly now, Madam Chairwoman, to labeling legislation. Over the past year, American consumers have been subjected to a flood of what we believe to be confusing and perhaps misleading information in mass advertising and public relations campaigns concerning the purported domestic content of some products sold in the U.S. market.

The goal expressed in the three proposals before this subcommittee is to set the record straight and provide American consumers with more complete information regarding the value of the domestic and foreign content cars sold in the United States.

The domestic auto industry has responded to this desire for content information and tried to eliminate confusion created by others. Chrysler and Ford have collected and released detailed content data for 1992 car lines and I believe they will again in 1993, and General Motors Corporation has provided dealers with information concerning the overall domestic content level of its North American fleet.

Each of the three bills pending before the subcommittee, however, proposes a mandate for the creation of a new and unique methodology for determining domestic and foreign content. We believe the best way to provide this information to consumers as promptly as possible, if required by Congress, is for auto companies to devise labeling information for methodologies which are already being used. Particularly, we would refer to the data that are gathered for the purposes of corporate average fuel economy.

One final comment on that, Madam Chairwoman, on the subject of labeling, we think that under the law, which is established as a public policy by the Congress of the United States, that content should include both U.S. and Canadian content because of the integration of the industries. There is a quid pro quo. Stuff gets built here and shipped there and so on, and we think that ought to be included in any labeling plan of information for the American public because it accurately reflects U.S. contribution to the industry between the two countries.

We appreciate this opportunity. I have cut my remarks short. We have submitted a document for the record.

If I may make one further observation. The sponsor of the bill on anti-theft parts marking said that our organization was not interested and had rejected consideration of alternative funding schemes and this was in response to a question that you raised, Madam Chairwoman. I must tell you that we have had regular conversations with the Congressman's staff. We have expressed interest in the concept and we are quite willing to talk about that and there is reference to that in our written statement for the record. And perhaps the Congressman is not aware of that, but these conversations have been going on and we certainly haven't rejected the idea.

Thank you very much.

[The prepared statement of Mr. Hanna follows:]

STATEMENT OF THOMAS H. HANNA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MOTOR VEHICLE MANUFACTURERS ASSOCIATION OF THE UNITED STATES, INC.

The Motor Vehicle Manufacturers Association of the United States, Inc. (MVMA) and its member companies support State and Federal activities directed at reducing the theft of cars and trucks. Over a million vehicles are reported stolen each year in this country, and yet the odds are only 1 in 100 that a thief will be arrested and serve 1 year in prison for auto theft.

We urge that titles I, II and IV of H.R. 4542, the Anti-Car Theft Act of 1992, go forward. We cannot, however, support the expansion of the existing vehicle parts marking requirements in title III, which includes additional vehicles and parts. There is no evidence that the existing parts marking requirements are reducing vehicle theft or lowering insurance premiums.

With respect to title I, MVMA strongly supports making so-called "car jacking" a Federal crime; increasing penalties for traffickers in stolen vehicles and/or parts; and bringing vehicle theft crimes under the Racketeering in Corrupt Organizations (RICO) statute. MVMA also endorses the grant programs in title I for anti-car theft

committees, which fund police officers, prosecutors and programs dedicated to auto theft reduction efforts.

MVMA also supports the provisions in title II to reduce automobile title fraud by improving the technology of State titling authorities and standardizing titling procedures for junk and salvage vehicles. In addition, we endorse the requirements in title IV for the Customs Service to randomly inspect shipping containers, which will help curb the exportation of stolen vehicles.

Title III of H.R. 4542, however, is not warranted. Under the existing Motor Vehicle Theft Law Enforcement Act (passed in 1984), vehicle manufacturers currently spend approximately \$15 million each year to mark the engines, transmissions and major body panels (such as fenders, hoods and doors) of their high-theft models. Automakers today are also equipping many of their cars with theft deterrent devices such as sophisticated ignition key systems, which have proven to be more effective than parts marking at reducing vehicle theft. Manufacturers are now allowed exemptions from parts marking requirements on up to two car lines per year if they are equipped with effective theft deterrent devices. H.R. 4542 would remove the incentives for manufacturers to develop these devices by rescinding the currently allowed exemption for vehicles equipped with an approved anti-theft device.

One of the other major components of the existing Act is a requirement that the Department of Transportation issue a 5 year report evaluating the impact and effectiveness of the law. Issued in March 1991, the report, *Auto Theft and Recovery: Effects of the Motor Vehicle Theft Law Enforcement Act of 1984*, found:

- that the difference in vehicle theft and recovery rates between marked and unmarked cars was statistically insignificant;
- that parts marking has played a very small role in the conviction rate of car thieves (the report cited only 114 convictions, later updated to 107 convictions, due to parts marking out of hundreds of thousands of arrests for vehicle theft);
- that insurance premiums have not decreased as a result of parts marking;
- that under the present system more car lines than necessary are required to have their parts marked;
- that there is no supporting basis to conclude that parts marking would yield reductions in theft for other types of vehicles, such as light trucks, vans and multi-purpose vehicles (MPV's); and
- that the marking of additional parts would be premature and cannot be justified given the ineffectiveness of existing parts marking.

The report also had three recommendations, including giving manufacturers increased exemptions for vehicles equipped with effective theft deterrent devices; redesignating high theft cars based on actual theft experience; and determining which cars are high theft models based on the most current data.

H.R. 4542, however, totally ignores the findings and recommendations of the DOT report by:

- greatly expanding the scope of the parts marking program to include all cars, regardless of theft rates, as well as all light trucks, vans and MPV's;
- significantly increasing the number of parts to be marked from 14 to up to 23 or more, including the grille, floor pan, frame and windows. There is little or no evidence of theft demand for windows, which may be especially difficult and expensive to mark; and
- eliminating all of the exemptions for vehicles with effective theft deterrent devices.

By drastically expanding the program, manufacturers' costs for parts marking will increase many times over the \$15 million now being spent annually, (approximately \$225 million per year based on an annual production volume of 15 million cars, light trucks, vans and multi-purpose vehicles) without demonstrable benefit to consumers.

There are, however, programs that have proven successful in reducing vehicle theft. In 1986, the State of Michigan created the Automobile Theft Prevention Authority (ATPA) which combines the efforts of law enforcement, communities and businesses against auto theft. The ATPA is funded by an annual \$1 assessment on each insured non-commercial passenger vehicle. The ATPA is governed by a seven-member Board of Directors, which includes representatives of law enforcement, automobile insurers, and consumers of automobile insurance. Each year the Board awards grants to law enforcement agencies, prosecutors' offices and non-profit community organizations. These grants are designed to prevent auto theft, catch auto thieves, and put them in jail. ATPA staff monitors the status of the grant programs and prepares reports for the Board. Total automobile thefts in Michigan, from 1985 to 1990, decreased 13.2 percent while nationally thefts increased 48.3 percent.

Another way to reduce the number of reported vehicle thefts that are not really "thefts," but are actually fraudulent insurance claims, is to require that vehicles be inspected before insurance policies are issued by insurance companies. The National Insurance Crime Bureau (NICB) (previously the National Automobile Theft Bureau) reports that nationwide at least 15 percent of reported vehicle thefts are fraudulent claims. In some areas insurance fraud is much greater. In a recent "sting" operation in Tennessee, 42 percent of the reported thefts were fraudulent. At least four States—New York, New Jersey, Massachusetts, and California—have mandated vehicle inspection programs to reduce insurance fraud. Photos and inspections show that the insured vehicle actually exists and is the actual vehicle being insured. The New York Insurance Department estimates a yearly savings of about \$100 million in avoided payments for fraudulent claims. A 1992 DOT report to Congress estimates that 9 to 25 percent of reported vehicle theft is actually insurance fraud. With this type of success, it appears to MVMA that if such considerable savings can be achieved at the State level, considerably more savings could be achieved on a national level if such an inspection requirement were implemented.

Another cost-effective alternative to the expanded parts marking requirements in this bill would be to focus on marking and certifying only those used parts that are actually reclaimed for sale to body shops. This approach would only focus on those parts that are actually used in collision repair—less than 5 percent of all parts.

The insurance industry is the main source of sued vehicle components which are sold to body shops by salvage yards. Since the insurance industry is the main source of these parts and it is already establishing a system to identify and locate used parts, it would be appropriate for them to identify the origin of these parts, certify that the parts are not stolen and label such parts accordingly. In addition, this certification information will need to be reported to a centralized data collection agency center as required in title II of the bill.

A certification document identifying the applicable vehicle identification number (VIN) would be provided to all purchasers of salvage parts. The legitimacy of all marked parts could always be verified through the National Stolen Parts Information System described in section 302.

There are two additional changes H.R. 4542 would make to current law that I would like to bring to the committee's attention.

The first involves deletion of section 612 of the 1984 law which requires reports and information from insurance firms about vehicle thefts and recoveries. The insurance industry has an important role to play in reducing vehicle theft and providing data which keeps its customers and the auto industry continually apprised of how the cost of insurance fluctuates as a function of vehicle theft activity. By deleting all reference to insurance reporting requirements, title III precludes from consideration information critically needed to make informed and effective judgments about strategies for improving customer involvement in vehicle theft prevention.

The other is the expansion of the list of major parts to be marked to include windows. First, we are not aware of any data that would show this to be cost-effective. Second, we are not sure what adequate safeguards would have to be implemented to assure minimal or zero risk in manufacturing conditions where acid-etching activity would be permitted.

It has not yet been determined just what would be needed in material handling and storage, operator safety gear, equipment, gear, etc., to comply with the health and safety regulations of the Occupational Safety and Health Administration (OSHA), the Plant Environment Guidelines or regulations governing the storage, handling and disposal of hazardous waste materials from industrial sources. Consequently, the feasibility of undertaking the implementation of an effective vehicle glass-etching program is still in question.

For these reasons, and also because it is a relatively new and unproven assembly line application, more research and study needs to be done before any objective evaluation can be made as to whether or not this type of glass-marking process can be implemented cost-effectively in an automotive manufacturing setting with reliable safeguards in place to meet all applicable occupational and environmental safety standards and regulations.

Sandblasting, an etching process which poses little or no recognizable risk to occupational or environmental safety, has been suggested as an alternative vehicle glass-marking technique. However, like acid-etching, it is a method which has not been developed for application in an automotive manufacturing context, and consequently is still questionable regarding its feasibility, practicability and cost-effectiveness.

Finally, there is the subject of cost. Fifteen dollars a car may not seem like much. However in a good year, when production levels reach 15 million units, that's \$225 million. And for what? Despite the millions that manufacturers have spent since the

parts marking program began, there has been a total of only 107 convictions under the parts marking sections of the 1984 Theft Act. To look at it another way, assuming the cost limit of \$15 per vehicle, and holding the current fleet constant at 190 million vehicles, by the time the fleet turns over, automakers will have spent \$2.8 billion to comply with the marking requirements in H.R. 4542. Vehicle theft of 1.5 million vehicles out of a vehicle population of 190 million represents a 0.8 percent theft rate. Of this number, at most, 16 percent are stolen by chop shops. Even if parts marking were somehow to be totally effective in eliminating chop shop operations, H.R. 4542 requires 100 percent of the vehicles be marked to stop 0.1 percent of those from being stolen each year.

Because of the substantial overall costs associated with parts marking, the bill's sponsor expressed an interest in developing a mechanism for covering the manufacturer's costs. We suggested that the costs could be covered by a relatively minor annual charge on vehicle registration fees or vehicle insurance policies. Our proposal was made in good faith but we have yet to receive a response.

In summary, MVMA supports the provisions in titles I, II and IV of H.R. 4542 to reduce vehicle theft. However, MVMA strongly urges that title III of the bill be deleted or substantially modified.

Mrs. COLLINS. Thank you very much.

Those two bells are an indication that there is a vote on in the Floor of the House of Representatives and therefore the subcommittee is going to recess until the call of the Chair, which should be about 10 minutes.

[Brief recess.]

Mrs. COLLINS. The hearing of the Subcommittee on Commerce, Consumer Protection and Competitiveness will reconvene at this time.

Mr. Reuther.

STATEMENT OF ALAN REUTHER

Mr. REUTHER. Thank you, Madam Chairwoman. My name is Alan Reuther. I am the Legislative Director for the UAW. The UAW appreciates the opportunity to testify on the subject of auto disclosure legislation.

We strongly support the objective of such legislation. Today many Americans are saying that they want to buy motor vehicles that are built in this country but they are uncertain as to what truly qualifies as an American vehicle. Some of this uncertainty is understandable. It is not always possible to tell from the name plate whether a car or truck is built in this country.

The Big Three domestic automakers import some vehicles from other countries and the Japanese auto manufacturers assemble some vehicles in this country. In addition, motor vehicles assembled in this country sometimes contain many parts which are imported from other countries.

Unfortunately, the uncertainty regarding the origin of motor vehicles has been compounded by the PR campaigns conducted by Japanese auto manufacturers and car dealers which have tried to foster the impression that vehicles assembled by the Japanese companies in this country, the so-called Japanese transplants, are just as American as vehicles produced by the Big Three domestic automakers. Nothing could be further from the truth. The fact is that on average, vehicles produced by the Big Three in this country have 85 to 90 percent domestic parts content. In contrast, vehicles produced by the Japanese transplants have less than 50 percent domestic parts content. Although the Japanese transplants are as-

sembled in this country, the fact is that most of the parts contained in these vehicles are still imported from other countries.

Because the increase in Japanese transplant protection has come on top of the Japanese imports rather than replacing those imports, it has come at the expense of sales by the Big Three domestic automakers. This means that vehicles produced by the Big Three which contain 85 to 90 percent domestic parts content have been replaced by Japanese transplants which contain less than 50 percent domestic parts content. As a result, we have lost thousands of good-paying jobs in this country.

The UAW believes that the Federal Government should take a number of steps to help preserve a strong domestic automotive industry in this country, and one of the steps they should take is to begin to help educate consumers about the level of domestic content in cars produced and sold in this country.

If the American public is given adequate information, we believe many persons will choose to buy American made motor vehicles, not only because they are competitive in terms of quality and price, but also because people increasingly realize that buying American made vehicles helps to keep good paying jobs in this country and contributes to a healthy economy.

The UAW believes that the auto content disclosure bills which are being considered by the subcommittee today would all represent an important step forward in providing such information to consumers. In general, these bills would require motor vehicles sold in this country to have a label disclosing the location where the vehicle was assembled or the percentage of labor performed in the United States in the assembly of the vehicle, and second, the percentage of parts and equipment in the vehicle which were made in the United States.

The UAW believes the objective of these bills is commendable and we support that objective. However, we believe that a number of improvements need to be made in the bills to further their objective.

Most importantly, in order to provide accurate information on the percentage of parts and equipment in a vehicle which are built in the United States, we believe it is essential that any legislation include a definition of originated in the United States. Otherwise, auto manufacturers would be able to count as American many parts and equipment which are built abroad, imported into the United States and then assembled in this country or altered in some minor way. So a definition needs to be included in the bills to prevent the automakers from gaining a system in this matter and giving the consumers a misleading impression.

Madam Chairwoman, we would like to stress that we believe the auto content disclosure bills are very modest. They do not seek to limit Japanese imports or transplants. They would not impose costly burdens or restrictions on all the auto manufacturers. They would simply require the automakers to disclose to consumers important information on where the vehicles are assembled and where the parts come from.

These bills are designed to empower consumers by giving them adequate information to make informed buying decisions. The

UAW is confident that more and more Americans will buy American made motor vehicles if they are given this information.

In conclusion, we appreciate the opportunity to testify on the subject of auto content disclosure legislation and we look forward to working with you, Madam Chairwoman and the other members of this subcommittee, as you consider this legislation. Thank you.

[The prepared statement and attachment of Mr. Reuther follow:]

STATEMENT OF ALAN REUTHER, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UAW

Madam Chairwoman, my name is Alan Reuther. I am the Legislative Director for the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). I appear here today on behalf of the 1.4 million active and retired members of the UAW and their families.

The UAW appreciates the opportunity to testify on the subject of auto content disclosure legislation. We strongly support the objective of such legislation. We look forward to working with you, Madam Chairwoman, and the other members of this subcommittee on this issue.

Today many Americans are saying that they want to buy motor vehicles that are built in this country, but they are uncertain as to what truly qualifies as an "American" vehicle. Some of this uncertainty is understandable. It is not always possible to tell from the nameplate whether a car or truck is built in this country. The Big Three domestic automakers import some motor vehicles from other countries, and the Japanese auto manufacturers assemble some vehicles in this country. In addition, motor vehicles assembled in this country sometimes contain many parts which are imported from other countries.

Unfortunately, the uncertainty regarding the origin of motor vehicles has been compounded by the PR campaigns conducted by Japanese auto manufacturers and car dealers which have tried to foster the impression that vehicles assembled by the Japanese companies in this country—the so-called Japanese transplants—are just as "American" as vehicles produced by the Big Three domestic automakers. Nothing could be further from the truth. The fact is that, on average, vehicles produced by the Big Three in this country have 85-90 percent domestic parts content. In contrast, vehicles produced by the Japanese transplants have less than 50 percent domestic parts content. Although the Japanese transplants are assembled in this country, the fact is that most of the parts contained in these vehicles are still imported from other countries.

Over the past decade the Japanese auto manufacturers have captured a steadily rising share of the U.S. motor vehicle market. Imports of motor vehicles from Japan have remained relatively constant during this period. Meanwhile, Japanese transplant production has steadily grown to the point where they now produce 1.5 million units per year. This Japanese transplant production is projected to grow by 50 percent over the next 5 years. Because the increase in Japanese transplant production has come on top of the Japanese imports, rather than replacing those imports, it has come at the expense of sales by the Big Three domestic automakers. This means that vehicles produced by the Big Three, which contain 85-90 percent domestic parts content, have been replaced by Japanese transplants which contain less than 50 percent domestic parts content. As a result, we have lost thousands of good paying jobs in this country.

The UAW believes it is important to preserve strong domestic auto and auto parts industries in this country. Obviously this is critically important to the workers and communities that are directly dependent on these industries. But it is also important to the health of our entire economy.

In our judgment, the Federal Government should take several steps to preserve a strong domestic automotive industry. Most importantly, we need a tough trade policy which will require Japan to reduce its huge trade surplus with the United States, three-quarters of which is attributable to trade in auto and auto parts. That is why the UAW strongly supports the proposed Trade Enhancement Act of 1992 (H.R. 4100), sponsored by Representatives Gephardt and Dingell.

In addition, we need to educate consumers about the differences in the level of domestic content between the Japanese transplants and vehicles produced by the Big Three domestic automakers. If the American public is given adequate information, we believe many persons will choose to buy American made motor vehicles, not only because they are competitive in terms of quality and price, but also because people increasingly realize that buying American made vehicles helps to keep good paying jobs in this country and contributes to a healthy economy.

The UAW believes that the auto content disclosure bills, introduced by Representative Sharp (H.R. 4220), Representative Mfume (H.R. 4228), and Representative Weldon (H.R. 4230) would all represent an important step forward in providing such information to consumers. In general, these bills would require motor vehicles sold in this country to have a label disclosing the following information:

1. The location where the vehicle was assembled or the percentage by man-hour of labor performed in the United States in the assembly of the vehicle; and
2. The percentage of parts and equipment in the vehicle which were made in the United States.

The UAW believes the objective of these bills is commendable. They seek to provide consumers with information on where motor vehicles are built so consumers can take this into consideration in making their purchasing decisions. However, the UAW believes a number of improvements need to be made in the bills to further this objective.

First, in order to provide accurate information on the percentage of parts and equipment in a vehicle which are built in the United States, the UAW believes it is essential that any legislation include a definition of "originated in the United States". Otherwise, auto manufacturers would be able to count as "American" many parts and equipment which are built abroad, imported into the United States, and then assembled in this country or altered in some minor way. To prevent automakers from gaming the system in this manner and giving consumers a misleading impression, the UAW strongly urges this subcommittee to require that at least 70 percent of the direct costs of processing plus the value of purchased parts, components, materials and other elements of the final product must derive from the United States in order for the part or equipment to qualify as having "originated in the United States". In the alternative, the subcommittee could require that only the portion of any part or equipment which represents value added in this country will be counted as having "originated in the United States". Attached to this testimony are two examples of how this definition could be drafted.

Second, in addition to listing the percentage of parts which were built in the United States, the UAW believes that the auto content label should also list the name of every other country which provided more than 5 or 10 percent of the parts and equipment originating in each such country. This will help provide consumers with more complete information on where the parts and equipment are built.

Third, any legislation should clarify whether auto manufacturers must determine the percentage of domestic content on a car by car basis or across an entire model line. To provide consumers with the most useful information, we believe it would be better to require disclosure on a car by car basis. Otherwise, a consumer might buy a car which is actually assembled in a foreign country, or which contains substantial foreign parts or equipment, but the label might not disclose this because most of the vehicles in that particular model line might be built in this country.

Madam Chairwoman, with these modifications, the UAW believes that the auto content disclosure bills could be extremely helpful in providing consumers with important information on the level of domestic content in motor vehicles sold in this country. This in turn would enable those consumers who wish to buy "American" to do so.

It is important to underscore that these are modest bills. They do not seek to limit Japanese imports or transplants. They would not impose costly burdens or restrictions on auto manufacturers. They would simply require the automakers to disclose to consumers important information on where motor vehicles are assembled, and where the parts and equipment in the vehicles are built. These bills are designed to empower consumers, by giving them adequate information to make informed buying decisions. The UAW is confident that more and more Americans will buy American made motor vehicles, if they are given this information.

In conclusion, the UAW appreciates the opportunity to testify on the subject of auto content disclosure legislation. We look forward to working with you, Madam Chairwoman, and the other members of this subcommittee as you consider this legislation. Thank you.

PROPOSED DEFINITIONS OF "ORIGINATED IN THE UNITED STATES"

Example One: The term "originated in the United States", in referring to automobile equipment, means equipment of which at least 70 percent of the direct costs of processing plus the value of purchased parts, components, materials and other elements of the final product derive from the United States. Each purchased element must, itself, meet the same 70 percent level to be counted as having been "originat-

ed in the United States" for purposes of determining whether the final product originated in the United States.

Example Two: The term "originated in the United States", in referring to automobile equipment, means the value-added in the United States for that equipment. Value-added outside the United States, including imported parts, materials, components or other elements of the equipment, or payments to foreign parties for labor, interest, royalties or other financial considerations, shall not be included.

Mrs. COLLINS. I now recognize Mr. Jack Gillis, director of Public Affairs for the Consumer Federation of America, for the purpose of introducing our next witness, Mr. Brandau, who is the associate general counsel for the State Farm Mutual Automobile Insurance Company.

Mr. Gillis.

INTRODUCTORY REMARKS OF JACK GILLIS

Mr. GILLIS. Thank you. As you said, I am Jack Gillis, director of Public Affairs of CFA and author of "The Car Book." I am here with Herman Brandau of State Farm representing the Advocates for Highway and Auto Safety Alliance, of consumers, law enforcement, health insurance organizations. Also, for your information, in the audience is Clarence Brickley of the International Association of Auto loss Investigators.

As I only have 1 or 2 minutes, I would like my full testimony to be submitted for the record, and at this point in time I would just like to highlight—

Mrs. COLLINS. Let me say this, that your testimony cannot be submitted in the record because you are not a listed witness here. We will take it for the record of the hearing, but you are not a listed witness, but we will be glad to take it as a record of the hearing.

Mr. GILLIS. I appreciate that.

Mrs. COLLINS. You know you are using up Mr. Brandau's time, too.

Mr. GILLIS. I appreciate that and I will be very brief.

Mrs. COLLINS. If it is OK with Mr. Brandau. He only has about 3 minutes left.

Mr. GILLIS. Just two quick points based on our perspective from the Consumer Federation of America. This is a huge problem. We estimate the problem to be \$19 billion a year and we think especially the parts marking requirement in this particular testimony will go a long way to taking a huge bite out of that and reducing this burden on the backs of the American consumer.

I would like to briefly call your attention to the wide, wide support of this bill from the national law enforcement and consumer organizations, which we will submit with our testimony, and the bottom line is, this isn't brain surgery. It is a very simple concept. If you mark the parts, the consumers who have their cars stolen will at least have some avenue of recourse, and few consumers that I know would be willing not to pay \$6 to \$15 per car for the right or the opportunity to track their car or its parts if it is stolen.

Regarding the testimony against this—

Mrs. COLLINS. You are not now introducing Mr. Brandau.

[The prepared statement of Mr. Gillis follows:]

STATEMENT OF JACK GILLIS, DIRECTOR OF PUBLIC AFFAIRS, CONSUMER FEDERATION OF AMERICA

My name is Jack Gillis. I am director of Public Affairs for the Consumer Federation of America, the Nation's largest consumer advocacy organization representing more than 240 consumer groups and over 50 million Americans, and author of *The Car Book*, a consumer guide to car buying. I am here today as a representative of the Consumer Federation of America and as a representative of Advocates for Highway and Auto Safety to support the passage of H.R. 4542.

Advocates for Highway and Auto Safety is a broad-based alliance of consumer, safety and insurance organizations created to increase highway and vehicle safety at the national and State level and to reduce deaths, injuries and economic costs associated with motor vehicle crashes, fraud and theft.

Whether it is in higher insurance premiums, expensive personal losses or tremendous hassle and inconvenience, the burden of the exponentially increasing problem of auto theft is falling heavily on the shoulders of the American consumer. And those costs increase as we try to protect ourselves by purchasing extra theft prevention items, some of which are of dubious value.

We are here today to suggest that the most economical and effective solution to reducing this burden is by attacking the problem at its source—the vehicle. In fact, with today's innovative technology, to even suggest that the consumer should continue to shoulder this burden is akin to providing each individual with the equipment necessary to purify every glass of water they drink, rather than purify the water at its source. So, too, the most effective way to attack the growing problem of auto theft is at its origin—the vehicle.

H.R. 4542 is an important step in offering the American consumer protection against the enormous costs associated with automobile theft. Without such legislation, the consumer is left to protect him or herself against the growing and more technologically sophisticated incidence of automobile theft.

We encourage the automakers and insurance companies to step forward and help pass this legislation as a sensible and economical way to stem this aspect of the growing cost of automobile ownership. We believe that this legislation will go a long way toward putting the brakes on auto theft. To ignore this legislation is to do nothing while the American consumer pays a \$19.2 billion price tag for auto theft.

Some on this subcommittee have expressed concerns about the Federal funds included in this legislation. I can assure the subcommittee that the several million dollars in this legislation, while not a small amount, are minuscule compared to the billions we are currently paying for auto theft—as consumers and as taxpayers. H.R. 4542 will not eliminate auto theft, but once implemented this legislation will not only cut consumers' costs but save local, State and Federal tax dollars by lessening the burden on our law enforcement and other government agencies. Let me outline the current costs of auto theft.

For years, vehicle theft has been considered as a victimless crime. People believe that if a car is insured, the owner suffers no serious loss, short of inconvenience. This is simply untrue. In fact, if insured, the victim of an auto theft suffers considerable unaccounted monetary and personal loss.

As evidence of this cost, I would like to share with this subcommittee one person's experience with the crime of auto theft. While you are sure to hear many facts and figures documenting the cost of auto theft, thanks to the diligence of one citizen, Margaret Crenshaw, I am able to report costs that the statistics rarely show. While Ms. Crenshaw's perseverance may be atypical, her experience is repeated many thousands of times every day throughout the country.

In December of 1989, Ms. Crenshaw was one of the 313 victims of auto theft from a D.C. pay parking lot that year. Her 2-year-old Jeep Cherokee was stolen from a secured lot and subsequently wrecked. The original cost of the car was \$20,542. In addition, she kept track of her other costs as a result of the theft, including her rental car, the contents of her car, her time spent with police and the filing of insurance forms; costs involved with finding a new car including time spent with dealers, licensing, inspection, district government, and the interest lost when they paid cash for a new car; her husband's time, outside legal advice on dealing with her insurance company, and her own legal fees for handling the case. Her total for these costs was \$29,894.13 (not counting expenses incurred by the insurance company). However, in the end, she settled for \$16,064.50—resulting in a loss of nearly \$14,000. She believes that she received as much as she did because she challenged her insurance company's first offer, and as an attorney, she represented herself in court. Of course, there is no way to put a price on her frustration and emotional energy spent on dealing with the entire process of replacing the lost car.

This is just one example of the unaccounted costs associated with the 1.7 million cars stolen each year. Even if we arbitrarily cut Ms. Crenshaw's losses in half, to \$6,900, multiplying this number by the 1.7 million cars stolen each year uncovers \$11.7 billion in expenses associated with lost time at work, uncompensated rental costs, and more. These are the expenses that the national statistics miss.

Vehicle theft costs Americans in different ways. In addition to the property loss, time loss, inconvenience, injuries, and work loss, there are the costs in Federal, State, and local taxes that are used to maintain law enforcement services, courts, jails and other agencies associated with vehicle crime control.

Over 10 years ago (1978), the Department of Justice estimated these expenses by computing the percentage of all arrests representing motor vehicle thefts, then multiplying this percentage by total spending on the criminal justice system.¹ Because new figures were unavailable, we simply increased this number for inflation, and arrived at a staggering \$4.6 billion—and that doesn't begin to consider the exponential increase in auto theft since 1978 and the resulting increase in public costs. I may respectfully suggest that this committee ask the Department of Justice for an update on these costs.

The Department of Justice also estimated that criminal justice expenses associated with the theft of auto contents and accessories were more than three times the figure they determined for the theft of autos. While the Department of Justice admitted that this second estimate was high, the resulting content and accessory theft related public costs are \$1.38 billion for a total taxpayer cost of \$1.84 billion.

Statistics show that the auto theft problem is getting worse, not better. Theft rose 38 percent between 1986 and 1991 to 1.7 million motor vehicles stolen in 1991. In addition, 2.9 million Americans had vehicle contents or valuable parts stolen.² Once every 8 seconds somewhere in America a car is stolen or broken into—that's one out of every 42 registered motor vehicles.

Consumers' rising auto and homeowners insurance premiums cover many of the losses associated with auto theft. While we don't know the precise size of these premiums, we've tried to estimate this expense. We conservatively estimate that theft accounts for 50 percent of comprehensive auto insurance premiums. (Some experts put this estimate as high as 80 percent). Based on State average comprehensive auto premiums, we estimate that theft-related premiums average \$50 per private passenger policy.³ Multiply this figure by the number of cars insured (85 percent of 145 million registered cars—1991), and theft-related premiums total \$6.1 billion.

In addition to theft-related insurance premiums, consumers pay many additional costs when their vehicles are stolen, as our example from Ms. Crenshaw indicated. One of the most readily identifiable is the cost of deductibles. For example, most insurance policies have \$50-\$100 deductibles on auto theft. Conservatively estimating the average deductible at \$75 per policy, this expense to theft victims totalled approximately \$108 million in 1991.

While the portion of homeowner's insurance premium that pays for the replacement of contents stolen from cars is unavailable to us, FBI statistics show that in 1991, the average value of contents stolen from cars was \$544. This \$876 million expense, plus the additional cost of theft of motor vehicle accessories (\$305 million in 1991), is absorbed primarily by insurance companies and passed on to homeowners.

The rising rate of auto thefts during the 1980's called for stronger anti-theft measures. New laws that combat organized theft rings and an increased use of anti-theft devices were among the results. However, many experts find car alarms are not as strong a deterrent as was originally expected. Nevertheless, consumers spend over \$400 million annually on protection, ranging from steel steering-wheel locks and collars to elaborate alarm systems to expensive electronic tracking systems.⁴ While anti-theft devices may qualify for a discount on comprehensive coverage, consumers will still spend anywhere from \$15 for an etching tool to \$250 for an alarm, to \$1,500 for a tracking device. If only those who bought new vehicles spent as little as \$25 on anti-theft prevention, the expense to consumers who purchased over 13.5 million cars and light trucks in 1990 would be \$330 million.

These locks and alarms may deter some auto thieves. But no device is foolproof, and once an auto thief circumvents one of these devices, the most helpful tool in retrieving or identifying the vehicle and its parts is parts marking, the inexpensive approach required under title III of this legislation.

¹ U.S. Department of Justice, Memorandum on Determining Costs.

² National Insurance Crime Bureau.

³ National Association of Insurance Commissioners, Private Passenger Automobile Insurance State Average Expenditures and Combined Premiums, 1990.

⁴ Consumer Reports, February 1991, p. 96.

Consumers also pay for parking in lots away from home to discourage theft. This theft-related expense includes the money spent on parking lots and garages beyond the cost of using these facilities if theft were not a concern. If this expense represents 5 percent of all parking costs, a conservative estimate, this consumer expense totals \$69 million.

Extra money spent on parking or anti-theft devices is wasted when thieves can take the wheels off your car or disarm an alarm system in a matter of seconds. Even our example of the theft of Ms. Crenshaw's car took place in a supervised parking lot.

Other costs associated with auto theft include:

—The cost to insured consumers who do not file claims and losses which are not paid by insurers.

—Extra auto rental and other transportation costs related to auto theft. If one-quarter of those having cars stolen incurred an average rental expense of \$200, the total cost would be \$80 million.

—Damaged cars that are not restored to their pre-theft condition: windows may not roll easily or tires may never be properly aligned.

—The cost of litigation not paid for by insurance or law enforcement.

—Lost wages due to time lost at work related to the theft.

—The societal cost of accidents involving a stolen vehicle that would not have occurred if the vehicle had not been stolen.

—The costs to the criminal justice system dealing with juveniles lured into a life of crime by the ease of automotive theft, beyond the expenses related directly to these thefts.

	Cost Estimate
Hidden Costs of Auto Theft.....	\$11,700,000,000
The Taxpayers' Burden (Judicial Costs).....	1,840,000,000
Theft-related Insurance Costs:	
Auto.....	6,100,000,000
Homeowner.....	unavailable
Deductibles.....	108,000,000
Theft Prevention Costs:	
Security devices.....	400,000,000
Parking garages.....	69,000,000
The Real Cost of Auto Theft.....	\$19,217,000,000

These statistics refer to the physical losses, but auto theft steals more than possessions—if the car is wrecked, involved in an accident, or, more and more frequently, taken by force, it can take lives, cause physical and emotional injuries—costs that simply cannot be estimated.

The four titles of this bill were drafted in large part by those in the law enforcement community who deal with auto theft every day. The major national law enforcement organizations are included on the long list of groups (attached) that strongly support H.R. 4542 as adopted by the House Judiciary Committee.

As a result, this bill will effectively attack auto theft from all sides. It toughens the laws that are needed to deter theft, strengthens the enforcement of those laws, provides the means to insure that vehicle titles can be used to stop thieves, takes the profit out of trafficking in stolen auto parts and halts the lucrative exportation of stolen cars. In short, it creates the barriers to auto theft needed to reduce the cost to American consumer.

If H.R. 4542 becomes law, the biggest winner will be the American consumer.

Thank you very much.

Organizations Supporting H.R. 4542, the Anti-Auto Theft Act

Advocates for Highway and Auto Safety; Alliance of American Insurers; American Automobile Association; American Insurance Association; Consumer Federation of America; Federal Law Enforcement Officers Association (FLEOA); Fraternal Order of Police; GEICO; Independent Insurance Agents of America (IIAA); International Association of Auto Theft Investigators (IAATI); International Association of Chiefs of Police (IACP); International Brotherhood of Police Officers (IBPO); ITT Hartford Insurance Group; Kemper National Insurance Companies; Liberty Mutual

Insurance Company; National Association of Counties (NACO); National Association of Police Organizations (NAPO); National Association of Professional Insurance Agents (PIA); National District Attorneys Association; National Insurance Crime Bureau (NICB); National Organization of Black Law Enforcement Executives (NOBLE); Nationwide Insurance; Police Executive Research Forum; Public Citizen; State Farm Insurance Companies; 3M; The Travelers; and U.S. Conference of Mayors.

Mrs. COLLINS. Mr. Brandau, would you like to give your testimony at this point in time?

STATEMENT OF HERMAN BRANDAU

Mr. BRANDAU. Thank you, Madam Chairwoman. I am Herman Brandau, associate general counsel for the State Farm Insurance Companies. I am accompanied by Glenn Wheeler, a staff consultant on auto loss in our claims department.

State Farm is the Nation's largest auto insurer, insuring more than 33 million autos in the United States. In 1991, State Farm paid out approximately \$630 million for more than 317,000 motor vehicle loss claims.

Auto loss continues to be a major problem in the United States. Not only is auto loss a significant factor driving up the cost of auto insurance and thus a major expense for auto owners, but the use of autos and the profits from stolen autos are often intimately intertwined with other serious criminal activities.

H.R. 4542 effectively deals with several major facets of auto loss. Motor vehicles are stolen for a variety of reasons in a variety of ways. There are substantial geographic variations as to the extent of the problem, the reasons for auto loss, the type of vehicles stolen.

Here is an example of the variability of the problem. Nationwide for all types of vehicles, auto thefts account for approximately 36 percent of our auto insurance comprehensive premium. However, by State, this varies from a low of 4.8 percent in Montana to a high of 63.9 percent in New York.

Increasingly, specialty vehicles are serving families as private passenger vehicles. They are not now currently required to be marked and are now showing some of the highest loss rates.

H.R. 4542 accomplishes the important objective of treating these vehicles as private passenger autos. Effective law enforcement is absolutely essential to advance the objectives of this bill. H.R. 4542 makes an important positive step in the direction of supplying necessary additional resources by providing Federal grants to encourage the formation of anti-car loss committees which can be quite effective in marshalling resources and directing them towards improved law enforcement to combat auto loss.

Chop shop auto thefts remain a substantial problem. We are seeing a shift away from stealing autos required to be marked under the present law to unmarked private vehicles. We believe this bill makes major improvements in this area. First, it contains improved provisions for the marking for all vehicles used as private passenger vehicles and new requirements relating to illicit trafficking in stolen auto parts. Second, it requires that all auto glass be marked.

Third, the bill creates a national stolen parts information system. All of these provisions, combined with effective law enforcement, will significantly reduce the number of autos stolen from chop shops.

There are, of course, other provisions in this bill that are very important to improve the whole climate in terms of auto loss and we support all of the provisions of the bill, and we thank you for this opportunity to express our views and also the opportunity for other people that support this bill to appear, Jack Gillis, and also the law enforcement folks. There is a broad coalition of people supporting this bill, and we know we have some limited time but we appreciate the opportunity for you to at least let Jack and some others be here with us in support of the bill.

[The prepared statement and attachment of Mr. Brandau follow:]

STATEMENT OF HERMAN BRANDAU, ASSOCIATE GENERAL COUNSEL, STATE FARM
INSURANCE COMPANIES

I am Herman Brandau, Associate General Counsel for the State Farm Insurance Companies. I am accompanied by Glenn Wheeler a staff consultant on automobile theft in our claims department. We thank you for the opportunity to appear before you on an issue of extreme importance to us and the motoring public.

State Farm is the Nation's largest automobile insurer, insuring more than 33 million automobiles in the United States. In 1991 State Farm paid out approximately \$630 million for more than 317,000 motor vehicle theft claims.

Auto theft continues to be a major problem in the United States. Not only is auto theft a significant factor in driving up the cost of automobile insurance and thus a major expense for automobile owners, but the use of automobiles and the profits from automobiles are often intimately intertwined with other serious criminal activities. Automobiles are stolen to support drug habits as well as used for selling drugs. Organized auto theft rings are also often a part of broader organizations involved in numerous illegal activities. Stolen vehicles are involved in a great number of auto accidents.

State Farm is committed to pursuing public policies which responsibly control claim costs so as to keep the price of automobile insurance at reasonable levels. We have been among the leading advocates of various Federal, State and local programs to improve auto and highway safety. The many years of activities of ourselves, other automobile insurers and other interested individuals and organizations have clearly borne fruit. Although major progress in auto safety initially appeared to be an unachievable goal, recent statistics indicate that these many years of hard work have brought major improvements in auto and highway safety.

The problem of auto theft has many similarities to auto safety. It is clearly a multifaceted problem which demands a number of approaches and a substantial investment of time, effort and resources in order to make progress. State Farm is likewise committed to making a major effort to combat auto theft. We are principal contributors to the newly formed National Insurance Crime Bureau and were very active in its predecessor organizations. We have worked at the Federal, State and local levels to create programs to assist law enforcement agencies to combat auto theft. We worked for and continue to support the principles behind the Federal Motor Vehicle Theft Enforcement Act of 1984. Like auto safety, we believe we need a comprehensive, multifaceted, nationwide, coordinated program to finally make major progress against auto theft.

H.R. 4542, the Anti Car Theft Act of 1992, is an excellent start in that direction. It effectively deals with several major issues concerning auto theft.

Motor vehicles are stolen for a variety of reasons and in a variety of ways. There are substantial geographic variations as to the extent of the problem, the reasons for auto theft, and types of vehicles stolen.

Auto thefts fall into the following major categories, (1) joy riding; (2) chop shop activities (3); exporting; (4) part or component theft; (5) owner give-ups or fraud and; (6) car jacking. Here are some examples of the variability of the problem.

Nationwide for all types of vehicles, auto thefts account for approximately 36 percent of our automobile insurance comprehensive premium. However, by State this varies from a low of 4.8 percent in Montana to a high of 63.9 percent in New York. For example, in Houston, Texas, 14 of the top 20 high-theft frequency automobiles

were specialty vehicles (vans, light trucks, minivans, and multi-purpose vehicles) and 6 were private passenger automobiles. In New York City, only 4 were specialty vehicles and 16 were private passenger. Also, specialty vehicles are now showing some of the highest theft rates. For example, as demonstrated by Exhibit A, for the 20 vehicles with the highest total theft rates, in 1986 and 1988 for 1986 model year motor vehicles more than three-quarters of all auto thefts were private passenger automobiles. In 1989 and 1991 for 1989 model year vehicles, this dropped to less than one-fourth. During the same time the number of newly purchased specialty vehicles remained about the same.

More and more of these vehicles are being used as private passenger vehicles. For that reason, we and other safety advocates have urged the National Highway Traffic Safety Administration to apply the same safety standards to these vehicles as for private passenger automobiles. NHTSA has recently announced a series of rules to apply most of the auto safety standards to specialty motor vehicles. For the same reason, auto theft legislation should treat these vehicles as private passenger automobiles. H.R. 4542 does accomplish this important objective.

Because the reasons, methods and targets of auto theft come in many forms, techniques to combat auto theft must likewise take a number of forms and have the necessary flexibility to deal with the problem as it arises in various parts of our country. However, there is one overall unifying concept—effective law enforcement. Without sufficient resources and training, none of the additional law enforcement tools contained in H.R. 4542 or other law enforcement tools now available will prove effective.

H.R. 4542 makes an important positive step in the direction of supplying additional resources by providing Federal grants to encourage the formation of Anti-Car Theft Committees. As the Michigan Anti Car Theft Committee has demonstrated, these committees can be quite effective in marshaling resources and directing them towards improved law enforcement to combat car theft.

Chop shop auto thefts remain a substantial problem. H.R. 4542 has a number of provisions which we believe can be quite effective in combating auto theft for the purpose of supplying cars to chop shops. These include an expanded requirement for the marking of major body parts of automobiles. We agree with the provisions of H.R. 4542 which require that all automobiles be subject to the marking requirements including specialty vehicles now increasingly the target of theft.

Although State Farm's total theft rates in the last few years have remained relatively constant, we are seeing a substantial shift away from stealing automobiles required to be marked under present law to vehicles not marked. Exhibit A, previously mentioned, shows that for 1988 vehicles with the highest total theft frequency, about one-half were marked. For target 1989 vehicles the fraction of marked vehicles dropped below one-tenth.

The provisions of H.R. 4542 which require a higher standard of tamper-resistant markings is an important improvement over current law. Another improvement over current law is the requirement that glass be marked.

We continue to believe that combined with effective law enforcement, VIN marking of major body parts and glass can be an important countermeasure to chop shop motivated auto theft. We believe that the VIN marking should be across the board and not on selected vehicles.

We believe (1) the improved provisions for VIN marking along with H.R. 4542's requirements relating to illicit trafficking in stolen auto parts, and (2) the creation of a National Stolen Auto Parts Information System, when combined with effective law enforcement will significantly reduce the number of automobiles stolen for chop shops.

There is a continuing problem in the United States with cars being stolen and then retagged. Major contributors to the problem are gaps in our State motor vehicle titling laws. The primary problems are lack of communication among States and lack of uniformity in the titling of cars which have become salvage vehicles. H.R. 4542 sets up a program that will, we believe, lead to better communications and uniformity in this area. The National Motor Vehicle Title Information System provided for in H.R. 4542 will be an important step in curtailing the practice of retagging stolen cars.

The burgeoning market abroad for used vehicles is a growing motivation for auto theft. We clearly need more effective law enforcement to curtail the exportation of stolen vehicles. H.R. 4542 requires greater attention by custom officials to this important problem, and we strongly support these additional requirements.

The general provisions in H.R. 4542 will, of course, be helpful in preventing all types of auto theft. In particular, Anti Car Theft Committees can help direct resources to the problems in particular areas which need the most attention. Most

frightening is the emerging problem of car jacking. Hopefully, vigorous law enforcement pursuant to in H.R. 4542 will help curtail this activity. Joy riding can be discouraged by improved antitheft devices built into automobiles. Hopefully, certain auto manufacturers will improve their steering columns to make them more difficult to crack open. A general increased emphasis on law enforcement against auto theft should discourage joy riding.

We believe it is essential for the public to fully understand the importance of this issue. We are hopeful these hearings will lead to enactment of this important legislation. It would be a major step combating auto theft. Working together, as in the area of auto safety, we can make a difference.

Thank you for giving us this opportunity to express our views.

Percent of involvement for top 20 vehicles with highest total theft frequency for State Farm:

	Percent
1986 Models in Calendar Year 1986:	
Vehicles to be marked in 1987	64.4
Specialty vehicles	23.0
Vehicles not to be marked	12.6
1986 Models in Calendar Year 1988:	
Vehicles to be marked in 1987	66.2
Specialty vehicles	24.8
Vehicles not to be marked	8.9
1988 Models in Calendar Year 1988:	
Marked vehicles	47.2
Specialty vehicles	44.0
Unmarked vehicles	8.8
1988 Models in Calendar Year 1990:	
Marked vehicles	40.6
Specialty vehicles	36.7
Unmarked vehicles	22.7
1989 Models in Calendar Year 1989:	
Marked vehicles	9.4
Specialty vehicles	76.5
Unmarked vehicles	14.1
1989 Models in Calendar Year 1991:	
Marked vehicles	7.8
Specialty vehicles	72.7
Unmarked vehicles	19.5

Mrs. COLLINS. Thank you, Mr. Brandau.

Mr. George Nield, who is the president of the Association of International Automobile Manufacturers.

STATEMENT OF GEORGE C. NIELD

Mr. NIELD. Thank you, members of the committee. The Association of International Automobile Manufacturers, AIAM, is a trade association that represents international manufacturers of passenger cars and trucks. Our association represents multinational companies which employ thousands of Americans in manufacturing, research and development, transportation and distribution operations. The international automobile industry, including dealers, suppliers and port workers in the United States, provides jobs to more than 350,000 Americans.

With regard to automobile labeling legislation, AIAM believes that providing consumers with accurate and useful information is in everyone's best interest. We support the idea of labeling automobiles with the country of assembly and the city and State if applicable in a way that is clear and useful to the consumer. A country

of assembly is already indicated in a number of locations on new cars, but displaying it clearly on a label would be a positive step that we could support. However, Congress should resist any effort to blur the country of origin and labeling, such as to change United States origin to North American origin. If the purpose of the legislation is to give consumers accurate information, the designation should be United States, not North American.

One problem with the Senate-passed legislation and some other labeling proposals is that they would impose another new accounting method for determining the national origin of the content of the automobiles. This is in addition to those used in the Corporate Average Fuel Economy Program [CAFE] the U.S.-Canada Free Trade Agreement, the auto pact, and the recently announced North American Free Trade Agreement, which is NAFTA. The result of yet another accounting system involving rules of origin would be substantial cost, administrative confusion and the possibility of conflicting incentives from these various government programs, all without benefit to the consumer.

We do not believe that labeling individual automobiles with percentages of national content is workable. Such a percentage approach at best would be very expensive, and at worst, nearly impossible to manage.

Another serious problem with some of the proposed labeling legislation is the short lead time allowed for manufacturers to respond to the new requirements. Also there is a level of a \$1,000 per car penalty is unreasonable considering the questionable percentage adjustment procedures. It is just not clear how you determine what parts to include and what parts not to and what labor efforts and so forth.

The continuing internationalization of automobile manufacturing has shown to be good for consumers and for the economy. It leads to lower prices, higher quality and more choices in the marketplace. AIAM member companies have no objection to informing the company about where their vehicles are made. They are proud of their products and the people and factories that make them.

Thank you.

[The prepared statement of Mr. Nield follows:]

STATEMENT OF GEORGE C. NIELD, PRESIDENT, ASSOCIATION OF INTERNATIONAL
AUTOMOBILE MANUFACTURERS

Madam Chairwoman and Members of the Subcommittee: The Association of International Automobile Manufacturers ("AIAM") is a trade association that represents international manufacturers of passenger cars and trucks.¹ Our association represents multinational companies which employ thousands of Americans in manufacturing, research and development, transportation, and distribution operations. The international automobile industry, including dealers, suppliers and port workers in the United States, provides jobs to more than 350,000 Americans.

¹ AIAM represents: American Honda Motor Company, Inc.; American Isuzu Motors, Inc.; American Suzuki Motor Corporation; BMW of North America, Inc.; Daihatsu America, Inc.; Fiat Auto U.S.A., Inc.; Hyundai Motor America; Kia Motors Corporation; Mazda Motors of America, Inc.; Mitsubishi Motor Sales of America, Inc.; Nissan North America, Inc.; Peugeot Motors of America, Inc.; Porsche Cars North America, Inc.; Regie Nationale des Usines Renault; Rolls-Royce Motor Cars, Inc.; Rover Group USA, Inc.; Saab Cars USA, Inc.; Subaru of America, Inc.; Toyota Motor Sales, U.S.A., Inc.; Volkswagen of America, Inc.; and Volvo North America Corporation.

AIAM strongly believes that providing consumers with accurate, useful information is in everyone's best interest. We support the idea of labeling automobiles with the country of assembly—and city and State, if applicable—in a way which is clear and useful to the consumer. The country of assembly already is indicated in a number of locations on new cars, but displaying it on the Monroney label would be a positive step which we could support.

Congress should resist any effort to blur the country of origin labeling such as to change United States origin to North American origin. If the purpose of the legislation is to give consumers accurate information, the designation should be "United States," not "North American."

One problem with the Senate-passed legislation and some other labeling proposals is that they would impose a new accounting method for determining the national origin of the content of automobiles, one in addition to those found in the Corporate Average Fuel Economy [CAFE] program, the U.S.-Canada Free Trade Agreement, and the recently announced North American Free Trade Agreement. The result of yet another accounting system involving rules of origin would be substantial cost, administrative confusion, and the possibility of conflicting incentives from these various government programs, all without benefit to the consumer.

We do not believe that labeling automobiles with percentages of national content is workable. A percentage approach, on a car-by-car basis, at best would be very expensive and at worst nearly impossible to manage.

Another serious problem with proposed labeling legislation is the short lead time allowed for manufacturers to respond to the new requirements. The level of a \$1,000 per car penalty is also unreasonable.

The continuing internationalization of automobile manufacturing has been shown to be good for consumers and the economy. It leads to lower prices, higher quality, and more choices in the marketplace. AIAM member companies have no objection to informing the public about where their vehicles are made. These companies are proud of their products and of the people and factories that make them.

AIAM recognizes that vehicle theft is a problem in this country, and believes that it may be reduced through a variety of different measures, such as those incorporated in titles I, II, and IV of H.R. 4542, the Anti-Car Theft Act of 1992. However, AIAM opposes title III of the legislation because it would cost manufacturers and consumers millions of dollars with little, if any, benefit. High theft model cars are already required under the 1984 Motor Vehicle Theft Law Enforcement Act to have their major parts (body panels, engine and transmission) marked with their vehicle identification numbers (VIN) or to be equipped with theft deterrent devices, such as sophisticated door locks, warning alarms, and ignition starter interlock systems.

Moreover, a Department of Transportation report issued last year on the effectiveness of the existing program found there is no evidence yet that parts marking is actually reducing vehicle theft, increasing the conviction rate of car thieves, or lowering insurance premiums. The report concluded that more experience is needed before a determination can be made as to whether the marking requirements are worthwhile, but that in the meantime the provisions should not be expanded to include other parts or other vehicles.

H.R. 4542 also would eliminate the marking requirement exemptions for vehicles with effective anti-theft devices. This could actually increase vehicle theft because manufacturers would be discouraged from offering such equipment due to the cost of expanded parts marking. According to the DOT report, the existing requirements now cost over \$15 million a year, but the provisions of H.R. 4542 could increase that number to over \$200 million.

Because H.R. 4542 would significantly increase costs to consumers and manufacturers without any evidence that expanded parts marking would actually reduce vehicle theft or insurance premiums, AIAM urges Congress to reject title III of the legislation.

Mrs. COLLINS. Thank you, Mr. Nield.

Mr. Watson is the Vice President of ABC Auto Parts in Blue Island, Ill.

Mr. Watson.

STATEMENT OF JAMES WATSON

Mr. WATSON. Madam Chairwoman, members of the subcommittee, my name is James Watson. I am vice president of ABC Auto Parts of Blue Island, Ill. I am speaking on behalf of the Automotive Dismantlers and Recyclers Association [ADRA] and I thank you for the opportunity to present this statement regarding H.R. 4542, the Anti-Car Theft Act of 1992. Formed in 1943, ADRA is the recognized association of the international automotive recycling industry.

While ADRA supports titles I and IV as measures which aid law enforcement in fighting the increasing problem of auto theft, we cannot support titles II and III as they presently stand. These provisions contain recordkeeping and reporting requirements which could force the closing of hundreds of small automotive recycling businesses and result in the loss of thousands of jobs, without reducing auto loss.

Automotive recyclers dismantle, reclaim, and recycle vehicle parts and fluids from foreign and domestic automobiles, light and heavy duty trucks, buses, motorcycles and farm vehicles. The automotive recycling industry imposes an efficient and effective recycling system on automobiles at the end of their useful life. While supplying inexpensive and reliable used parts for automotive service and repair, the automotive recycling industry serves a vital role in preserving natural resources, ensuring the safe disposal of automotive wastes, and reducing the demand for scarce landfill space.

As the national association for the automotive recycling industry, ADRA was a leading supporter of the Motor Vehicle Theft Law Enforcement Act of 1984, which began a parts marking system for 14 designated parts on high theft car lines. H.R. 4542 now seeks to expand parts marking to all major automotive parts and institute a broad recordkeeping and reporting system in an attempt to curb illicit trafficking in stolen auto parts.

However, the burdens and costs of this parts marking system fall entirely on legitimate businesses, not on the chop shops the bill supposedly targets. The legislation contains neither a legal definition of chop shop nor provides criminal penalties in chop shop activities.

ABC Auto Parts was founded by my grandfather in 1938. Larger than most automotive recycling businesses, we employ 40 people and generate approximately \$2 million in used part sales to wholesale and retail customers. Like many other small businesses in this industry, our company has been affected by the recent recession. While we have been able to weather the downturn in the economy, many other automotive recyclers have not.

The recordkeeping and reporting requirements of H.R. 4542 present additional overhead costs which could put numerous automotive recyclers, who are currently struggling financially, out of business and their employees out of work.

The requirement of parts verification with a national stolen parts information system created by title III is unworkable. Approximately 200,000 of the parts sold per day in the automotive recycling industry would be candidates for parts marking under the bill. That is 300 calls a minute.

At least 20 percent of the automotive recycling industry is automated. Eighty percent of the inquiries to such a system would be conducted via telephone. Since approximately 50 percent of the average companies' sales are to walk-in retail customers, a maximum number response time of 2 minutes would be needed to guarantee for each inquiry. Without such a guarantee, the sale could be lost. Combined with the additional business costs in employee time and labor, and the loss of telephone customers unable to get through, the potential adverse economic impact on average business operations and sales could be severe.

The parts marking system of H.R. 4542 remains unproven as a means of preventing the 10 to 16 percent of the auto theft that the National Highway Traffic Safety Administration has estimated occurs for parts. Furthermore, the economic impacts of the bill on automotive aftermarket has not been fully assessed or considered.

The recordkeeping and reporting requirements H.R. 4542 imposed on the automotive recycling industry will not stop the criminal operations that compete with honest businesses in meeting the demand for inexpensive vehicle replacement parts. In fact, contrary to the bill's intent, H.R. 4542 has the potential of encouraging a proliferation of chop shops by causing a reduction in the number of legitimate sources from which repairs shops can obtain used parts.

In summary, ADRA strongly supports substantive legislative measures which aim at reducing auto loss, ending criminal chop shop operations and stopping the illicit trafficking in stolen auto parts. Titles I and IV of H.R. 4542 take major steps in that direction. However, section 204 of title II and all of title III threaten the viability of the automotive recycling industry and the jobs of the 117,000 people it employs. The American consumer and the environment stand to suffer.

For these reasons, ADRA strongly urges section 204 of title II be amended and title III of H.R. 4542 be deleted.

Thank you.

[The prepared statement of Mr. Watson follows:]

STATEMENT OF JAMES WATSON, VICE PRESIDENT, ABC AUTO PARTS, ON BEHALF OF
AUTOMOTIVE DISMANTLERS AND RECYCLERS ASSOCIATION

Madam Chairwoman, Members of the Subcommittee: My name is James Watson and I am Vice President of ABC Auto Parts of Blue Island, Ill.

I am speaking on behalf of the Automotive Dismantlers and Recyclers Association [ADRA] and I thank you for the opportunity to present this statement regarding H.R. 4542, the Anti-Car Theft Act of 1992. Formed in 1943, ADRA is the recognized association of the international automotive recycling industry.

While ADRA supports titles I and IV as measures which aide law enforcement in fighting the increasing problem of auto theft, we cannot support titles II and III as they presently stand. These provisions contain recordkeeping and reporting requirements which could force the closing of hundreds of small automotive recycling businesses and result in the loss of thousands of jobs, without reducing auto theft.

Automotive recyclers dismantle, reclaim, and recycle motor vehicle parts and fluids from foreign and domestic automobiles, light and heavy duty trucks, buses, motorcycles, and farm vehicles. The automotive recycling industry imposes an efficient and effective recycling system on automobiles at the end of their useful life. While supplying inexpensive and reliable used parts for automotive service and repair, the automotive recycling industry serves a vital role in preserving natural resources, ensuring the safe disposal of automotive wastes, and reducing the demand for scarce landfill space.

The automotive recycling industry saves insurance companies, repair shops, and the American consumer billions of dollars. According to most recent industry studies, the automotive recycling industry—comprised of mostly small, family-owned, local businesses—employs about 117,000 people and recycles over 10 million vehicles per year. The industry generates about \$5 billion worth of business annually, accounting for about one-third spent for repair parts in the automotive aftermarket. The value of these parts, if they were new, would exceed \$15 to \$20 billion.

As the national association for the automotive recycling industry, ADRA was a leading supporter of the Motor Vehicle Theft Law Enforcement Act of 1984, which began a parts marking system for 14 designated parts on high theft car lines. H.R. 4542 now seeks to expand parts marking to all major automotive parts and institute a broad recordkeeping and reporting system in an attempt to curb illicit trafficking in stolen auto parts. However, the burdens and costs of this parts marking system fall entirely on legitimate businesses, not on the “chop shops” the bill supposedly targets. The legislation contains neither a legal definition of a chop shop nor proscribes criminal penalties on chop shop activities.

ABC Auto Parts was founded by my grandfather in 1938. Larger than most automotive recycling businesses, we employ 40 people and generate approximately \$2 million in used part sales to wholesale and retail customers. Like many other small businesses in this industry, our company has been affected by the recent recession. While we have been able to weather the downturn in the economy, many other automotive recyclers have not. The recordkeeping and reporting requirements of H.R. 4542 present additional overhead costs which could put numerous automotive recyclers, who are currently struggling financially, out of business and their employees out of work.

The requirement of parts verification with a National Stolen Parts Information System created by title III is unworkable. Approximately 200,000 of the parts sold per day in the automotive recycling industry would be candidates for parts marking under the bill. As less than 20 percent of the automotive recycling industry is automated, 80 percent of the inquiries to such a system would be conducted via telephone. Since approximately 50 percent of the average company's sales are to walk-in retail customers, a maximum response time of 2 minutes would need to be guaranteed for each inquiry. Without such a guarantee, the sale could be lost. Combined with the additional business costs in employee time and labor, and the loss of telephone customers unable to get through, the potential adverse economic impact on average business operations and sales could be severe.

The parts marking system of H.R. 4542 remains unproven as a means of preventing the 10 to 16 percent of auto theft that the National Highway Traffic Safety Administration has estimated occurs for parts. Furthermore, the economic impact of the bill on the automotive aftermarket has not been fully assessed or considered. The recordkeeping and reporting requirements of H.R. 4542 imposed on the automotive recycling industry will not stop the criminal operations that compete with honest businesses in meeting the demand for inexpensive vehicle replacement parts. In fact, contrary to the bill's intent, H.R. 4542 has the potential of encouraging a proliferation of chop shops by causing a reduction in the number of legitimate sources from which repair shops can obtain used parts.

Finally, no real consideration has been given to the negative environmental impact H.R. 4542 could have in causing the loss of a large segment of the automotive recycling industry. As chop shops do not comply with the stringent environmental regulations that the legitimate automotive recycling industry must meet, the environment will adversely suffer from the improper handling of automotive fluids and wastes. In addition, without the efficient system that the automotive recycling industry imposes on motor vehicle disposal, the demand for scarce landfill space will likely increase.

In summary, ADRA strongly supports substantive legislative measures which aim at reducing auto theft, ending criminal chop shop operations and stopping the illicit trafficking in stolen auto parts. Titles I and IV of H.R. 4542 take major steps in that direction. However, section 204 of title II and all of title III threaten the viability of the automotive recycling industry and the jobs of 117,000 people it employs. The American consumer and the environment stand to suffer. For these reasons, ADRA strongly urges that section 204 of title II be amended, and title III of H.R. 4542 be deleted.

Mrs. COLLINS. Thank you.

Mr. Hanna, apparently theft of specialty vehicles is increasing rapidly, as you know, and the Anti-Car Theft Act does not cover these specialty vehicles. Consistent with the purpose of the existing

statute, do you have any objection to including these high loss categories, specialty vehicles, under the current parts marking requirement?

Mr. HANNA. Oh, yes, we do, and it is based on the fact that there is no evidence at all to indicate that parts marking has worked for the automobiles that are at risk under the current law.

You had testimony here today that there has been a massive program under way for years where millions and millions of automobiles every year have parts, up to 16 parts per car, marked. It just hasn't worked, and our objection is a principle one, that to extend this program to other vehicles when it has failed to perform its function with automobiles is not justified.

Mrs. COLLINS. Mr. Reuther, in your statement you talked about the problem of calculating content for an entire model line rather than on a car-by-car basis. Can you give us an example of what you are concerned about here?

Mr. REUTHER. Well, the best example would be the Taurus show. Although most Tauruses are built completely in this country, the Taurus show has a Japanese engine and transmission; and so if you were to do it on a model line basis, you could conceivably have a label that would be telling the consumer that a Taurus show was completely built in this country and that would, in fact, be very misleading.

We want to be sensitive to the concerns that have been raised about administrative difficulty. It is not in anyone's interest to add unnecessary costs onto the auto manufacturers, but we believe that if you look at both the assembly and at the major components, like the engine and the transmission, that it is very easy for the automakers on a car-by-car basis to identify the assembly and where the engine and transmission come from.

Mrs. COLLINS. Mr. Sharp, when he gave his testimony, mentioned something about perhaps the label should identify the country of origin. And do you think that that would clarify things for consumers for at least a major component, such as the engine or the transmission or both?

Mr. REUTHER. Absolutely. Although right now there are markings on the car that indicate where it is built, it is not done in a way that is understandable or readily available to consumers, and we think indicating clearly the country where the car is assembled and where the major components come from would be very helpful to consumers.

Mrs. COLLINS. Mr. Nield, on the issue of content labeling, I think you heard Mr. Reuther's claim that production by Japanese transplant assembly plants in the United States contains less than 50 percent domestic parts content. Would you agree or disagree with that statement?

Mr. NIELD. Well, it is very difficult to answer the question because what is the part? You might—if you are talking about parts, you are talking about spark plugs and things of that sort where you get a number of them, but that would represent a relatively small part of the total value of the vehicle.

Mrs. COLLINS. Mr. Reuther, what is a part?

Mr. REUTHER. I would say a part would be an engine or a transmission or any equipment that is put into the vehicle as opposed to overhead costs like advertising or royalties or things like that.

Mrs. COLLINS. So there is the answer, Mr. Nield.

Mr. NIELD. There has been a lot of confusion though about, is an engine a part or is it an assembly of many parts, and I think the way I would rather respond though is that what—if this is a consumer information measure, I understand, and what the consumer really would want to know, I would think, is, what is the representation on the U.S. economy of his buying this car versus that car, and so how many parts are—

Mrs. COLLINS. So in response to Mr. Reuther's claim that production by Japanese transplant assembly plants in the United States contains less than 50 percent domestic contents, do you agree or disagree with that?

Mr. NIELD. I think I would have to say I disagree.

Mrs. COLLINS. OK. That will serve the purpose.

Now I ask you, why don't the Japanese transplant manufacturers calculate their domestic content using the CAFE formula as you suggest so that a comparison with the Big Three could be made? Do you have the answer to that?

Mr. NIELD. Of course that is being done.

Mrs. COLLINS. Is it?

Mr. NIELD. Under the CAFE program.

Mrs. COLLINS. I didn't know that. You have enlightened me. Thank you.

Mr. NIELD. There is one difference that ought to be recognized, is that that program has a single number, are you above or below 75 percent. The auto act is 50 percent. The Mexican—or the after agreement would be 62.5 percent, but they are simple numbers that you are either above or below.

What you talk about here is identifying the number all the way from zero to 100 percent. It does make it more difficult to come up with a precise number rather than just a number above or below a number.

Mrs. COLLINS. My time has expired but I am going to take the prerogative of the Chair and ask another question.

Mr. Brandau, the parts marking requirement of H.R. 4542 is estimated to cost automobile industry more than \$200 million a year to implement. It is the insurance industry that most directly would benefit if the parts marking requirement resulted in reduced claims outlays. Has the industry given any kind of consideration as to how it might assume some part of the cost of this program or at the very least, guarantee that savings from reduced claims outlays would be passed onto the consumers?

Mr. BRANDAU. As far as the cost for auto loss, there is another provision in this bill that requires the setting up of an anti-theft committee, committees, and we have one in Michigan, a very effective one in Michigan, and under that law, we pay \$1 a year. We have an assessment of \$1 a year for all of our cars in Michigan.

So if we had committees like that, as far as we are concerned, effective anti-theft committees, we are willing to pay some additional amounts.

Mrs. COLLINS. But on a nationwide basis you haven't done anything like that across the Nation.

Mr. BRANDAU. We are trying to get those——

Mrs. COLLINS. So you can at least have some reduced outlays?

Mr. BRANDAU. Yes. We have no reluctance in terms of putting up some money for effective anti-theft legislation. As far as the savings that would come about from auto loss, in the same State, in Michigan, there have been savings in comprehensive premiums somewhere in the neighborhood of 3 to 40 percent, so it is being passed on.

Mrs. COLLINS. If you can speak for the entire industry—I know you can't, but you can speak for your own insurance company—why haven't you instituted that across the Nation, if this has proven to be——

Mr. BRANDAU. We have tried. The auto loss committees are things that you have to get cooperation from the States, so we are trying in a number of States.

Mrs. COLLINS. So you are trying to do that?

Mr. BRANDAU. Yes, we are trying to do that. We are in a competitive industry and marking the part—I want to make one thing very clear, that marking car parts alone is not going to bring down auto loss. What is going to bring down auto loss is effective law enforcement. This is a tool. Once we have this in effect and once we have the system for tracing marked parts and once we have effective law enforcement, once we have that all going, then you are going to have the effect of this.

So there is nothing magic about marking the parts. The thing that is magic about it is that it gives law enforcement people the tool. Now we have to help law enforcement folks and that is why we have some people from the law enforcement community with us as part of a comprehensive program that will work.

Mrs. COLLINS. Let's get back to my question here. Then we are going to move on because I don't want to keep on whipping this horse to death. On a broad scale—you mention that in Michigan it has been proven that where there have been reductions in thefts, that the benefactors are the consumers who have reduced claims—that you have reduced claims outlays at the insurance company.

Mr. BRANDAU. Right.

Mrs. COLLINS. My question—and I think I surmise from what you said that that is possible to be done across the Nation.

Mr. BRANDAU. Absolutely.

Mrs. COLLINS. That is what I wanted to know. OK.

Mr. WATSON, about what percentage of your business would you say is insurance related?

Mr. WATSON. Purchases from insurance company of salvaged vehicles or sales?

Mrs. COLLINS. Insurance related. What percentage of your entire business?

Mr. WATSON. We sell no parts to insurance companies. We sell parts to body repair shops and individuals who put parts on their own cars. Insurance companies——

Mrs. COLLINS. Who pays for the claims?

Mr. WATSON. The insurance company pays the body shop for the finished product, the finished job. The insurance company, however, does search for used auto parts to put on vehicles.

Mrs. COLLINS. Would you say that the insurance company, since it pays for the repair, would have a significant interest in what you do?

Mr. WATSON. I think that the insurance companies need to completely reevaluate how they purchase parts, from whom they purchase parts. They need to develop criteria from whom they purchase parts. They need to go out to salvage yards to investigate to make sure that the price quote estimate that they are receiving for the parts that they are taking into the body shop to put on that car are legitimate, that they are real, live cars, real, live material, and not somebody operating out of a phone booth.

Mrs. COLLINS. So what you are saying is that the insurance company should be able to assist your industry in verifying that your parts are not stolen?

Mr. WATSON. My parts are not stolen.

Mrs. COLLINS. Period?

Mr. WATSON. Period.

Mrs. COLLINS. Period. This is not accusatory.

Mr. WATSON. I understand.

Mrs. COLLINS. But the way you answered, I just wanted to put that clearly on the record. OK. Mr. Watson, it is my understanding that the States have no uniform requirements for car titles and that this presents a problem in your industry and verifiably the parts are stolen. Can you explain how the lack of uniformity in auto titles makes checking stolen parts difficult?

Mr. WATSON. Well, if there is no uniformity in the titling process and handling of titles, it doesn't have to be uniform title as such but just the handling of a title and the recognition across jurisdictions: What is a junk title, what is a salvage title, what is a rebuilt title, what is a regular title? If there is that recognition to begin with, then we could take in and work on a database and verify the parts.

Right now there is no common language between the States which, you know, there is no possible way. That increases title washing. It increases the problem of vehicles being purchased in one State, being transported across jurisdiction, what happens to that car.

You are from Illinois. In Illinois they issued 85,000 salvage titles in 1991. Salvage title in Illinois is when an insurance company takes possession of a vehicle through a total loss claim payment. What is supposed to happen with a salvage car, what the title goes with, is one of two things. Either it is taken apart for parts or it is put back together on the road using other parts.

In Illinois, we have a vehicle inspection program that validates the parts' authenticity. In Illinois, there are 35,000 titles missing from 1991 that the Secretary of State's office has no idea where they are.

Mrs. COLLINS. It is alarming.

Mr. WATSON. And no one is doing anything.

Mrs. COLLINS. Thank you.

Mr. McMillan.

Mr. McMILLAN. All of you collectively have enough information and expertise to design a piece of legislation that would probably work and pay for itself, but we are all working against each other instead of together. I don't know how to get there, but I think it is our job to try.

It seems to me that this whole thing, as I have said before, boils down to cost and effectiveness. If it is not effective, it isn't going to reduce the cost, it isn't going to reduce loss, and that is what we are really shooting for.

Would it be possible—and let's assume for the sake of the argument that most of the compensation paid for stolen vehicles is paid by the insurance company. There may be some cars that are not insured against loss. Would that be correct? So if they just disappear, they are not covered, and there is a component of the population out there that then wouldn't be a part of this equation. But if—would it be possible for the insurance industry to devise and set up standards that, if adhered to by the States with whatever Federal cooperation were required, could be codified in a predicted loss of a reduction of loss and liability, that could be converted into policies that could be marketed to people who were operating under those standards?

Mr. BRANDAU. Let me see if I can answer your question. Well, first of all, really to a certain extent, that is what this bill helps do in creating these anti-auto-loss committees, because what it does, is creates a comprehensive program with law enforcement and auto insurers and others—prosecutors and others who are interested in it for a comprehensive program.

Mr. McMILLAN. We can deal with those law enforcement issues.

Mr. BRANDAU. Yes, but to translate this all into something that works. So the extent to which all of that works, it brings down the cost of insurance. The other thing as far as—

Mr. McMILLAN. I would put it even more strongly. That would be the real test of whether or not it is effective.

Mr. BRANDAU. Right.

Now, the other thing that you may recognize is most auto insurers, including State Farm, but I think this is true of most auto insurers, have something that we call make and model index—when we rate our cars, our property damage of cars. And it is really the loss experience of that car, and it includes auto loss, but it includes other things. So cars right now are rated in terms of whether they can produce more losses. Some of it is because of auto loss. Some of it is because they are better built.

So we already have in place a program in which various cars are rated in terms of their potential for loss, and auto loss is one of them. So it is really a combination of the car itself, which they have some features on them that will bring down the cost, and like I say, loss is one of many features, and law enforcement, which in a particular community will bring down auto loss for everyone, you know, for all cars, so it is really a combination of all that.

Mr. McMILLAN. I think to make that distinction between different cars as to which is more protected than others but to get incentives in the system for people to opt for those kind of devices on cars, including possible parts identification, that pay for the system

and reduce the agony of loss and the financial loss of loss and even worse, the loss of life.

Mr. BRANDAU. We still have to get resources out in one way or another to the law enforcement community and these auto loss committees, which we put a dollar—it could be more on that. I mean, without prosecution—

Mr. McMILLAN. If we have got a program that is convincingly effective, then the cost of law enforcement is going to be reduced dramatically if a preventive system will work.

Mr. BRANDAU. Of course the law enforcements folks should speak of that. Unfortunately, their budgets are strained and auto loss is often—

Mr. McMILLAN. I understand that. I understand that, but in this and other things in government, we have to be trying to find ways that work better and cost less and that is possible.

Mr. BRANDAU. We think that is exactly why we should enact this bill.

Mr. McMILLAN. Yes. Well, I mean I think that is a constructive approach that we—if we can't convince ourselves that this is going to reduce auto loss, then it doesn't make sense.

Let me relate this to one other point that has been discussed here today. Part of the objection of the automobile industry to identifying parts is the cost of identifying parts. Now, I know there is some dispute about what that is and—

Mr. HANNA. I think there is pretty general consensus, Mr. McMillan, on what the cost is. The NHTSA said currently it is about four and a half. The reports I get, it is about \$6 a car now for the marking that is going on. This legislation, however, would extend it to all cars, all light vehicles, to about 26 parts, and we figure that would be about \$225 million a year.

Mr. McMILLAN. How much per car?

Mr. HANNA. That is calculated on the basis of the maximum of \$15 per car, but that is really understating it because that doesn't, as you heard testimony this morning, cover the cost of etching the glass which would add substantially to that.

Mr. McMILLAN. But we don't have a figure then on the average as to what it would amount to per car?

Mr. HANNA. Well, \$225 million is a minimum, is a minimum.

Mr. McMILLAN. That is overall. I am talking about per car.

Mr. HANNA. It is a minimum of \$15. That is the basis we use.

Mr. McMILLAN. I was cosponsor of the tire recycling bill that added 85 cents to the cost of a tire or about \$4 to a car to fund solving the problem of recycled tires around the country, and it might go a long way to do that.

Sixteen bucks, if we could substantially reduce automobile thefts, doesn't strike me as a heck of a cost and probably one that the consumer might be delighted to eat. Is there some other reason why—

Mr. HANNA. Yes. It doesn't work. We get down to the substance of it here now. You know, look, our objection isn't to the \$6 a car that is being spent now. If it worked it would be a bargain, but it doesn't.

You heard testimony from the Department of Transportation, studied this extensively, and there is simply no correlation between marking—

Mr. McMILLAN. I questioned on that and the problem there was it may not have had the law enforcement requirements connected with it to make it effective. That is still an unanswered question as far as I am concerned.

Mr. HANNA. We have come here to testify in support of titles I, II and IV of the bill which provide all of the law enforcement. There is already a marking program going on. So we would urge that those titles of the bill be passed and remedy that defect.

Mr. McMILLAN. What do you estimate the cost of content labeling would be on a domestic car per car?

Mr. HANNA. I have no estimate on that. It would not be large. I may have constituents who would disagree with me, but I have not got estimates on that.

Again, the principles that we spoke to here this morning were that if such a plan were undertaken, we would hope that some existing database, like the calculations that go into Corporate Average Fuel Economy be used and that the Canadian content be taken into account.

I have no estimate on the cost of the labeling there. That hasn't been a particular issue that we have discussed, Mr. McMillan.

Mr. McMILLAN. I would have thought it would be fairly significant, tracking system with a shifting content.

Mr. HANNA. Well, if you are just talking about putting a label on a windshield or on the door post, that is one thing. The legislation that we have addressed here today, almost all of them would require a new system of calculating content. That does get very expensive. I don't have an estimate on it because we don't know quite how you would do that. There are a lot of complications.

Mr. McMILLAN. I understand. I am not an advocate of that particularly. I don't object to the general notion of designating where a product came from, and I think the public ought to know that. I frankly don't think it is going to have a significant bearing upon buying decisions except maybe in certain places at certain times, but some of the stronger—the advocates of Buy America for certain products are great consumers of foreign products in other areas themselves personally, and so I am not sure it is a constructive thing.

But I—if you are going to object, if you are going to object to the notion of dealing with the issue of parts identification on the cost it is going to impose on the consumer, which \$16 may be the high figure per car, then if it works, and we don't know if it would work, that is a small price to pay. And yet you don't have an estimate on content valuing.

Mr. HANNA. Because we don't know what would be required or how to do it and we have just not tested out—

Mr. McMILLAN. I am not suggesting that you undertake a major study to find out because that would simply run the price of automobiles up further.

Mr. HANNA. Thank you, sir.

Mr. McMILLAN. I did want to direct one question to you, Mr. Watson. I had made a remark earlier with respect to chop shops

that may have sounded derogatory. I didn't mean to put it that way.

Mr. WATSON. Don't feel bad. Everyone else does too.

Mr. McMILLAN. Most of the energy out there is absolutely legitimate and I am not sure if any of us understand it. We probably only unencounter the average consumer when we have had an accident and we call a wrecker service or something.

Is that a fairly accurate statement?

Mr. WATSON. I think so. Even in those instances you are dealing with the body shop direct and the body shop deals directly with us. As you expressed, most people, their only relationship to our industry is chop shops. OK, that is what is in the paper. Very rarely are we ever portrayed as anything other than that. Let me tell you that we are not.

In most States in the United States we are licensed by a State agency. In Illinois, it is the Secretary of State. Others, it is the Department of Motor Vehicles. Others, it is the Department of Transportation. We are also regulated, highly regulated, especially under the States with major metropolitan areas that have an auto loss problem.

You know, part of the comments about this bill was this bill looks like it is out of the late 1970's. A lot of the language was things that were being discussed at that time period. In Illinois, we have been discussing some other types of issues that are going to go further than this, things that will really eradicate auto loss.

We know that the parts marking system doesn't work. In Illinois, we have had it since 1978. At one point in time—

Mr. McMILLAN. Let me ask you this question coming at it a different way. I have been in business most of my life and most people who know what they are doing in business know where their—the content of their product comes from.

Mr. WATSON. I agree.

Mr. McMILLAN. I mean, they just know that.

Mr. WATSON. I agree.

Mr. McMILLAN. Now, in your industry, to a person who is operating in the industry, is it pretty easy to determine the source of used parts or abused cars or dysfunctional cars that get into this stream to determine where they are coming from?

Mr. WATSON. Absolutely.

Mr. McMILLAN. And so there are legitimate operators and illegitimate operators?

Mr. WATSON. That is a good possibility, or there are people that are licensed and regulated and there are people that are unlicensed.

Mr. McMILLAN. Is there a better way to get at those who take advantage of stolen vehicles than the contorted method that has been produced in this bill? Forgetting the law enforcement side of it. All that may be good, but a better way to get at that issue that would give the insurance industry something they could have confidence in and lower our automobile premiums accordingly.

Mr. WATSON. Absolutely. No doubt in my mind.

Mr. McMILLAN. What would that be?

Mr. WATSON. When the insurance company takes possession of a total loss vehicle that they paid out a claim in excess of 100 percent

of the cash value, junk the title. Sell the title only to the people that are licensed. Sell that vehicle for parts. Let that vehicle be taken apart properly. We have to take care of the used oil. We have to take care of the CFC's, the freon; we have to take care of the antifreeze. We have to take care of these titles. You think car thieves do that? They cut the front end off, they let—everything is vented in the air. They cut the hoses, the oil runs all over the ground, the antifreeze runs all over the ground. Know who you are selling the product to. Work on licensing of salvage yards, a consistent licensing across jurisdictions.

The problem is the jurisdictional problem within the 50 States. Every time there is a major metropolitan area, we have Chicago, New York, Dallas, Los Angeles, that is where the cars are, that is the shopping center for cars. In Chicago, there are five major auctions that sell 300 vehicles a week. The buyers come from all over the place. Minnesota, Wisconsin, North and South Dakota, Virginia, and they laugh at the inadequacies in the laws and the inconsistencies of the laws.

I have adjusters that I go with to the auction and they laugh because a total loss vehicle is sold for so much money that they could never recover that if they sold it with a junk title, but they sell it with a salvage title. What happens to that car? 1992 Blazer, it is a shell, frame, motor, transmission and its body. No carpet, no seats, no glass, nothing. It is completely stripped out and it goes for \$5,000. How are they going to rebuild it? And these people think it is funny because they get recovery back. Let them junk them, sell them for parts only. That will solve your problem.

Mr. McMILLAN. Thank you very much for your testimony.

Mrs. COLLINS. Well, we thank all the witnesses for their testimony today. It has been very informative.

The hearing is adjourned.

[Whereupon, at 1:19 p.m., the hearing was adjourned.]

[The following material was received for the record.]

STATEMENT OF HON. CURT WELDON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Madam Chairwoman, I appreciate the opportunity to testify before the Subcommittee on Commerce, Consumer Protection, and Competitiveness regarding H.R. 4230, the "Automotive Buyers Right to Know Act of 1992." I commend the subcommittee for convening a hearing on this important and serious consumer issue.

We have all read the many media reports about the "Buy American" movement sweeping the Nation. The central point of almost every story, however, details the difficulty of defining an "American" product. In order to help clarify this situation in at least one industry, I introduced H.R. 4230.

As you know, my legislation would amend the National Traffic and Motor Vehicle Safety Act of 1966 to require domestic and foreign automobile manufacturers to place content labels on their vehicles. These labels would indicate the place of final assembly as well as the percentage value of the components manufactured in the United States.

This measure is intended to provide consumers with the valuable information that they need to make a fully informed purchasing decision. H.R. 4230 would not create yet another Federal definition of an "American" car. Rather it would provide vital statistics about the content and production of cars, enabling consumers to decide for themselves what an "American" car is.

As you know, the Federal Government has at least three different definitions of a domestic auto. Without altering the standards already established by Corporate Average Fuel Economy [CAFE], the U.S.-Canada Free Trade Agreement, and the anti-

dumping and countervailing duty laws, H.R. 4230 would allow every citizen to devise their own standards.

Last February, Congressmen Mfume and Sharp introduced two separate, yet, very similar content labeling bills. Furthermore, Senator Mikulski introduced a companion to the Mfume bill, S. 2232, the "American Automobile Labeling Act," which has made significant progress in the Senate. Clearly, this is an idea whose time has come.

The American public wants this type of information. I hope that this subcommittee will favorably report out one of these bills.

Again, thank you for your attention to this important consumer issue.

INTERNATIONAL ASSOCIATION OF AUTO THEFT INVESTIGATORS,
September 4, 1992.

Hon. CARDISS COLLINS,
Committee on Energy and Commerce,
Washington, D.C.

DEAR CHAIRWOMAN COLLINS: The International Association of Auto Theft Investigators [IAATI] strongly requests the enactment of H.R. 4542, the Anti-Auto Theft Act, as adopted by the House Judiciary Committee and requests the opportunity to testify before the Subcommittee on Commerce, Consumer Protection, and Competitiveness on this essential legislation.

IAATI is an international association of law enforcement, insurance and vehicle theft related entities, who work to suppress and eliminate vehicle theft crimes. We currently have over 2,100 members in every State of the United States. Also, 3,000 members in six chapters.

Vehicle theft is a costly crime to consumers and citizens. FBI statistics just released indicated motor vehicle theft increased 38 percent from 1986 to 1991, and the cost of these thefts was more than \$8.3 billion.

Addressing vehicle theft requires Federal action on numerous fronts, and H.R. 4542 proposes several approaches—parts marking, reducing title fraud, tougher penalties and controlling exports—which will be effective together. All of these efforts are extremely important and should not be eliminated or diluted from H.R. 4542 to undermine the effectiveness of other titles.

We are delighted that you have agreed to co-sponsor this important legislation and look forward to working with you toward its enactment.

Sincerely,

CLARENCE O. BRICKEY, *Legislation Committee*

INTERNATIONAL ASSOCIATION OF AUTO THEFT INVESTIGATORS—RESOLUTION 92-06

WHEREAS, automobile theft is the Nation's number one property crime problem, more than 1.6 billion motor vehicles, worth \$9 billion, were stolen last year, and the incidence of motor vehicle theft has risen by 35 percent since 1986; and

WHEREAS, the auto theft problem is especially severe in urban areas, where theft can account for up to 80 percent of comprehensive auto insurance premiums; and WHEREAS, auto theft has become a highly professionalized, sophisticated business dominated by profit-motivated car theft rings that chop vehicles (steal vehicles to dismantle and sell the parts), export stolen cars, and resell them with fraudulent titles; and

WHEREAS, Congressmen Charles Schumer and Sensenbrenner have introduced the Anti-Car Theft Act of 1992, H.R. 4542, which would impose stiff penalties for armed carjacking, mark auto parts with identification numbers so chop shops will not be able to sell them, link State motor vehicle departments electronically so that they will be able to identify fraudulent documents purporting to be out-of-State titles, tighten U.S. Customs supervision of exported used automobiles, and take the profit out of auto theft and lead to a significant reduction in the number of stolen cars; and

WHEREAS, H.R. 4542, will fully address the "chop shops" operations in requiring all passenger vehicles, pickup trucks and vans to be labelled with the complete vehicle identification number which is not the case with the current Auto Theft Act of 1984.

NOW THEREFORE BE IT RESOLVED, that the International Association of Auto Theft Investigators at its Annual Conference held in Toronto, Ontario, Canada, on August 6, 1992, endorses the Anti-Car Theft Act and urges its speedy adoption by the Congress; and

NOW THEREFORE BE IT FURTHER RESOLVED, that this resolution be sent to each member of the U.S. House of Representatives on the Judiciary and Commerce Committees.

J.C. CLOUTIER, *President.*

INTERNATIONAL ASSOCIATION AUTO THEFT INVESTIGATORS—SOUTHEAST CHAPTER

WHEREAS, the International Association of Auto Theft Investigators, Southeast Chapter, meeting in Decatur, Alabama, June 21-25, 1992, realizes vehicle theft is a national problem. The current laws are not sufficient for addressing the problem citizens must encounter when their vehicles are stolen.

AND WHEREAS, H.R. 4542, The Anti-Car Theft Act of 1992, proposed legislation now in Congress, addresses weaknesses in the current laws enforcing vehicle theft problems nationally. New measures are urgently needed to protect citizens' property and well-being from thieves.

AND WHEREAS, H.R. 4542, Title I, creates a new crime for armed carjacking, increases imprisonment, and establishes grant programs for theft committees; Title II, provides funding to link State motor vehicle departments with each other for purposes of valid title access, and makes owners provide identification for ownership determining legitimate titles; Title III, extends parts marking to all new passenger vehicles with permanent or major components and requires shops selling or installing used parts with VIN labels to check for stolen via and authorized F.B.I. database of stolen vehicle VIN's; and, Title IV, directs Customs to spot check vehicles and containers leaving the United States and requires Customs to develop a "non-destructive examination system" for preventing export of stolen vehicles

AND WHEREAS, the International Association of Auto Theft Investigators, Southeast Chapter, has many representatives and constituents in every congressional jurisdiction of Alabama, Delaware, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, and District of Columbia.

NOW, THEREFORE, BE IT RESOLVED, that the International Association of Auto Theft Investigators, Southeast Chapter, Meeting in Decatur, Alabama, expresses support for this resolution in improving protection of millions of vehicle owners against vehicle crimes and requests Congress to act immediately with this legislation.

STATEMENT OF FACT

1. A vehicle is stolen every 19 seconds in the United States.
2. Motor vehicle theft increased 38 percent from 1986 to 1991.
3. One of every 42 registered motor vehicles is stolen or damaged.
4. More than 1.6 million motor vehicles were stolen in 1991.
5. Motor vehicle thefts cost more than \$8.3 billion in 1991.
6. Auto parts are valued at more than four times a car's value.

Chop shops and replating operations are a major contributing factor in unrecovered stolen vehicles. The dismantling of stolen vehicles for their major components and lack of identification on these components, is a major negative aspect hindering the law enforcement community in readily identifying the components and tracing of these components. Hence, this concretely means thieves can deal in stolen components without means of detection or prosecution. H.R. 4542 addresses these highly professionalized profit-motivated auto theft schemes and this legislation on parts-marking should not be diluted or eliminated from enactment. The manufacturers and auto related entities are resisting this legislation. The cost of marking new vehicle parts amounts to only \$6 or less per vehicle.

Serving on a national law enforcement committee choosing parts marking award recipients and involved in vehicle law enforcement prosecution for over 24 years, I need to equate some important examples of what the current parts marking regulations addressed and how H.R. 4542 would further strengthen discovery of stolen vehicle components on all passenger, vans and light truck vehicles.

First, in a recent Illinois case two subjects were arrested in the process of selling a stolen luxury vehicle. Further investigation revealed one subject was recently released from jail for dealing in stolen vehicles. During he investigation, 10 stolen vehicles were recovered where the subjects would obtain out-of-State salvage titles and identification plates for changing the identity of stolen vehicles. Six of the 10 stolen vehicles were identified using the current parts marking labels on the major components. In total, five arrests were effected and a major crime scheme stopped.

Another recent case involved a subject wanted in Canada and six midwest/western States. This subject used forged Canadian titles and counterfeit parts marking

labels and other ID. He stole a luxury car in Arizona posing as a doctor, sold it in Oregon, in Oregon stole another vehicle, changed the ID, and sold it in Texas, changed ID and sold the vehicle while perpetuating a similar crime in Kansas. He traveled to Wisconsin and sold two stolen vehicles via newspapers. In Wisconsin he stole another vehicle and one in South Dakota traveling west. In Wisconsin the innocent purchaser couldn't receive warranty work and discovered the ID on his vehicle was never produced. Law enforcement investigation revealed fictitious parts marking labels that led to recovery of six luxury stolen vehicles in the West valued at \$150,000. Other investigation revealed another \$100,000 in stolen property. Subject arrested and prosecuted.

Lastly, in a major New England case, subjects became involved in a chop shop operation with luxury vehicles. Major components were sold between five salvage yards and undercover law enforcement personnel. The major components in this operation were identified by current required parts marking identification labels. Many components were recovered resulting in five businesses being raided and 18 persons arrested.

In conclusion, the aforementioned real-life cases supports law enforcement's absolute belief that major component parts marking is a very effective means in addressing the Nation's vehicle theft problems.

AUTOMOTIVE DISMANTLERS & RECYCLERS ASSOCIATION

Facts About the Automotive Recycling Industry:

The 16th largest industry in the United States with over \$5 billion in sales annually, according to the most recent industry study, provides an efficient system for automotive recycling.

Recycles over 10 million vehicles—automobiles, trucks, buses, motorcycles, and farm vehicles—annually, saving an estimated 85 million barrels of oil that would otherwise be used in the manufacture of new replacement parts. Additional energy and resource conservation is realized by recycling rebuildable "core" parts to the automotive parts rebuilding industry.

Supplies 37 percent of all ferrous scrap (iron and steel) to our Nation's scrap processing industry.

Reduces pollution. (According to the Environmental Protection Agency, when a mill uses ferrous scrap in place of ore, there is an 86 percent reduction in air pollution, a 76 percent reduction in water pollution, and a 105 percent reduction in solid waste.)

Provides an efficient and effective system for disposal of vehicles at the end of their useful life cycle. Protects the environment by ensuring the proper handling of automotive fluids and wastes.

Helps keep down insurance rates by purchasing inoperative vehicles from the insurance industry, allowing companies to recover some of their losses. Insurance companies are the automotive recycling industry's major source of vehicles.

Offers wholesale and retail customers quality automotive parts and components, that sell for much less than comparable new parts, along with substantial warranties.

Sells whole automotive component parts (such as engines and transmissions) rather than dozens of internal pieces which make up those parts, saving repair shops valuable time and consumers money in repair work.

Sells the majority of their inventory to commercial repair operations, including body shops, repair shops, new and used car dealers, and auto and truck fleets—professionals who know the value of recycled vehicle parts.

Provides an important source of hard to find vehicle parts and components for automotive hobbyists and enthusiasts.

COSTS OF COMPLIANCE WITH TITLE III OF H.R. 4542 AS REPORTED BY THE HOUSE JUDICIARY COMMITTEE

Costs to an average automotive recycling business.—In order to comply with the provisions of the Title III, an average automotive recycler would have to: (1) hire additional employees to physically check each marked part's number and verify thousands of vehicle identification numbers with a central information system; (2) obtain necessary computer equipment and software; (3) designate office space; and (4) add additional telephone lines. These costs would add a minimum of \$30,000 in overhead expenses to thousands of small, financially-struggling businesses.

Total cost to the entire automotive recycling industry.—Title III is supposedly aimed at illegal "chop shops." However, this provision places an unreasonable fi-

nancial burden on the automotive recycling industry—those businesses which legitimately reclaim and recycle automotive parts. The Automotive Dismantlers and Recyclers Association [ADRA] estimates Title III will cost the industry more than \$400 million annually to comply.

Limited capacity of businesses to track thousands of VIN's.—The recordkeeping and reporting requirements of Title III on the automotive recycling industry is extremely burdensome. Less than 20 percent of automotive recycling industry is computerized. Most of the industry does not have the ability to track the individual vehicle identification numbers (VIN's) of the projected 200,000 marked parts which would be sold daily.

Overloaded national stolen auto parts information system.—Parts verification inquiries to a national stolen auto part information system would occur at the rate of approximately 300 per minute, easily overloading the system. Sales to walk-in, retail customers—which are typically 50 percent of a business' transactions—would be jeopardized. Requiring small automotive recycling businesses to comply with the provisions of Title III will hinder business operations and cause a loss of income.

Loss of customers, loss of small businesses, loss of jobs.—The increased costs in employee time and labor imposed by Title III, and the potential loss of customers, would have an adverse economic impact on average business operations and sales. The financial impact of the recordkeeping and reporting requirements of Title III of H.R. 4542 on the automotive recycling industry could make it unprofitable for large numbers of legitimate businesses to continue to operate. Title III threatens thousands of automotive recycling businesses and the 117,000 jobs of the people it employs.

STATEMENT OF DONALD A. RANDALL, ON BEHALF OF THE AUTOMOTIVE SERVICE
ASSOCIATION

The Automotive Service Association [ASA] supports any State or Federal measure directed at reducing the theft of cars and trucks and curbing the illicit use of stolen parts by automotive service establishments. Accordingly, we urge the enactment of provisions designed to toughen law enforcement against auto theft and stop automobile title fraud and the export of stolen vehicles. We cannot support, however, provisions which require automotive repair establishments to contact a nationwide database to determine whether major salvage parts were stolen.

The Automotive Service Association is the largest non-profit trade association of its kind, serving more than 11,800 businesses and approximately 50,000 technicians from all segments of the automotive repair industry. Association members subscribe to a code of ethics which governs the methods by which they conduct their businesses. Anti-car theft legislation, if approached correctly, would go far in our goal to upgrade the image of the legitimate automotive repair industry and erase the profit motive for those few who give our business a bad name. However, H.R. 4542, the Anti-Car Theft Act of 1992 as now drafted gives rise to economic, legal and fairness questions on which hinge our ability to compete in business in an orderly and cost-effective manner. As drafted, it will increase the cost of new vehicles and increase repair costs.

ASA agrees with the Department of Transportation [DOT] in their assessment that, "Given the thousands of auto repair shops across the Nation, the total cost to these businesses for implementing this requirement will exceed the cost of the problem it is designed to address." DOT estimates the parts marking costs to be \$210 million annually. The costs to every repair shop required to contact a National Stolen Auto Part Information System on the millions of parts that would be covered under this bill, would add millions of additional dollars to this total. ASA joins with DOT in opposing this unjustified, burdensome and untested program.

H.R. 4542 would prohibit all of the 360,000 repair establishments from installing major salvage parts without first determining whether the parts were stolen. This approach is similar to requiring the inoculation of the entire population for cholera because a small number of immigrants were found to have the disease. Users of the information database would face up to a \$25,000 fine for failure to comply. As you can see, this bill will have a costly and debilitating effect on small, financially strapped automotive repair shops nationwide, whose average pre-tax earnings are only 3.7 percent. It also appears to give no consideration to existing Federal and State laws and regulations that already impose overwhelming financial and administrative burdens on our members.

ASA believes that the objective of this bill can best be achieved at the insurer and salvage yard levels, where a fewer number of businesses are involved in the process.

Currently, the insurance industry is a major generator of demand for salvage parts by specifying their use to our collision repair shops. Insurers already subscribe to a computer network, tied into major salvage yards to identify and locate salvage parts. Accordingly, it is appropriate that they be the parties responsible for identifying origin and title and to certify that the parts are not in fact stolen. Certification of title can then pass routinely through various levels, thus assuring each succeeding level that the parts are not stolen and provide an evidentiary paper trail for law enforcement officials. Through this process, a smaller, more controllable number of insurance companies can initiate title verification, as opposed to involving the thousands of repair establishments in a system that the insurers are already operating. Certification at the point of sale from the salvage operation, together with the requirement that the certification accompany the part through each level of resale, will provide the most efficient method of verification, while facilitating law enforcement efforts, without having duplicate and repetitive certification requirements imposed on thousands of shops, transporters and salvage yards.

Used parts are sometimes delivered COD (Cash on Delivery). As written, the bill would require the repair shops to incur the loss if an insurer arranges for purchase of a used part which is subsequently determined to be stolen. There is also the potential for the database to shut down, causing a tie-up in repair shops and depriving customers of their vehicles.

Many essential questions remain unanswered (Attachment A). Even if it can be assumed that the most frequently stolen parts can be identified and the parts marking costs can be justified, we believe that Congress must answer the critical question: Will this proposal resolve the vehicle theft issue? Without uniform VIN's (Vehicle Identification Numbers), we do not believe that it will. Furthermore, the U.S. Department of Transportation report on the parts marking program already in effect, concludes that there is no benefit from that program.

"Chop shop" operations rely upon quick turnaround. The needed parts are ordered from thieves who canvas shopping malls, airport parking lots, etc., searching for the appropriate vehicle. The vehicle is then stolen, stripped and the needed parts delivered, often before the owner is aware of the loss of the vehicle. A central database would not be notified that the vehicle or vehicle part was stolen for several days. Inquiries would be meaningless. The net result is that the 180,000 or so vehicles stolen for parts would not be substantially affected by this bill, yet tens of thousands of legitimate repair shops would be compelled to make millions of useless telephonic checks.

Therefore, the impact of this bill will be felt by the hundreds of thousands of legitimate repair operations in order to try to prevent the small percentage of criminal enterprises from dealing in stolen parts. These illegal operations do not now comply with existing laws and regulations. Voluntary compliance with this legislation will place the legitimate repair shops at a further competitive disadvantage. Therefore, we believe that a more direct approach aimed at the offending "chop shops" would be more appropriate in preventing the \$8 billion lost annually in motor vehicle related theft offenses. In conjunction with other of the major automotive associations opposing this bill, we have prepared a model bill which would meet the intent of H.R. 4542 but create a more practical solution to reduce this "highly profitable" crime (Attachment B).

Our proposal opts to focus on the illegal "chop shops" rather than impose an unreasonable burden on the entire industry. The model bill provides for new and increased criminal sanctions for illicit trafficking in stolen motor vehicle parts. The Act specifies that owning, operating or conducting a chop shop is a criminal offense. It provides for civil remedies and redress for victims of chop shop operations and activities. It establishes a system of reimbursement to the States in order to provide funds for enforcement of the Act. It also allows for funds to be used by States in order to provide funds for enforcement of the Act. It also allows for funds to be used by States for the creation of rewards to the public for the capture of chop shop operators and traffickers in stolen motor vehicle parts.

ATTACHMENT A

1. Without uniform Vehicle Identification Numbers (VIN) and uniform vehicle title laws in all 50 States—will this bill work?

2. What are the practical economic costs and effects of requiring 360,000 repair shops to make millions of telephonic communications to a central clearinghouse? Will the sheer volume of required communications require these shops to hire additional "non-productive" personnel? Does this bill give adequate consideration to existing Federal laws and regulations that impose new and increasing costs on small,

financially strapped repair establishments (i.e. OSHA, VOC's, CFC's, Hazardous Waste, Used Oil, etc.)?

3. What percentage of repair shops are involved in the use of stolen parts? Where are these shops located? Will the effect of the bill reach these shops?

4. How will the thousands of "back-alley" repair operations be reached by this proposal? Should this bill be coupled with a Federal law which would require all collision repair businesses to be licensed by the States and prohibit insurers from issuing payments to the shops and their insureds unless their vehicles are repaired in a licensed shop? The non-conforming illegal shops are more likely to deal in stolen parts. As they do not now comply with OSHA and EPA regulations and Federal laws, why will they comply with this bill?

5. Is this bill the most efficient and practical means of providing law enforcement officials with an evidentiary trail? Is this bill better enforced at the insurer and salvage yard levels, where a fewer number of businesses are involved? Concentrating regulatory functions to fewer entities will make enforcement easier, more effective and cheaper. As drafted, salvage operators and insurers are already required to file a monthly inventory report, who not require them to certify that the part is not stolen?

6. Could the bill require that insurers use only new OEM parts or aftermarket parts? Insurers pay billions of dollars in claims settlements for stolen vehicles. These same stolen vehicles are sometimes sold back to the insured car owners in the form of stolen parts. Why not remove the incentive to use stolen parts?

7. As used parts are sometimes delivered COD, who suffers the economic loss if an insurer arranges for a repair shop to purchase a salvage part, which is subsequently determined to be stolen? Is there a mechanism for resolving legal questions of financial liability? Will this mechanism add thousands of legal claims for the already crowded courts to handle?

8. Is there a potential for the database to be temporarily shut down, causing a tie-up in repair establishments and depriving customers of their vehicles?

9. How can this bill regulate those vehicles that have OEM parts, aftermarket replacement parts and used or salvage parts, all of which have a different identification number?

10. Is this bill a noble idea, that simply imposes unnecessary and unreasonable burdens on thousands of legitimate businesses in an attempt to reach a few illegal operations?

ATTACHMENT B—SUMMARY OF THE MODEL MOTOR VEHICLE CHOP SHOP, STOLEN AND ALTERED PROPERTY ACT

The proposed Model Motor Vehicle Chop Shop, Stolen and Altered Property Act will help control motor vehicle crime by specifically targeting chop shops and their illegal activities through tough criminal penalties and enhanced civil remedies.

Adds new and increased criminal sanctions for illicit trafficking in stolen motor vehicle parts:

—The Act specifies that owning, operating or conducting a chop shop is a criminal offense.

—The Act also makes it a crime to knowingly transport motor vehicles or vehicle parts to or from a chop shop, alter or remove a vehicle identification number (VIN), and sell or otherwise dispose of a motor vehicle with an altered or removed VIN.

—Other offenses include attempt, conspiracy, solicitation, aiding and abetting, and accessory after the fact.

Provides for civil remedies and redress for victims of chop shop operations and activities:

—Remedies and sanctions under the Act include injunctive relief, as well as civil actions for damages in three times the amount of actual damage.

—The Act provides mandatory restitution for all financial loss resulting from any theft or fraud involving motor vehicles or vehicle parts.

—The Act creates extended statutes of limitations for civil actions and expanded venue for prosecutions of criminal violations.

Establishes a system of reimbursement to the States in order to provide funds for enforcement of the Act:

—The Act authorizes the Attorney General to pay to State law enforcement agencies funds to detect, bring to trial and convict chop shop operators and traffickers in stolen motor vehicle parts.

—Allows for funds to be used by States for the creation of rewards to the public for the capture of chop shop operators and traffickers in stolen motor vehicle parts.

—The Act reimburses State and local law enforcement agencies for costs incurred in the gathering of information which leads to the successful Federal prosecution of chop shop operators traffickers in stolen motor vehicle parts.

—The Act establishes a trust account to be funded by fines and forfeitures obtained from persons convicted of violating this and other Federal laws pertaining to motor vehicle theft. The trust account will exclusively provide funds for payment of grants and rewards directed to the States under the provisions of the Act.

ISSUE BACKGROUND

Action:

The proposed Model Motor Vehicle Chop Shop, Stolen and Altered Property Act will help control motor vehicle crime. This legislation, if enacted, will add new and increased criminal sanctions against persons owning, operating or conducting chop shops, provide for civil remedies which include treble damages and injunctive relief for any person aggrieved by a chop shop operation and authorize the Attorney General to make grants to State law enforcement agencies for the purpose of paying rewards to persons who provide information and assistance in successfully prosecuting persons engaged in the sale or transfer of stolen motor vehicle parts or components.

Background:

Chop shop offenders disassemble stolen motor vehicles, discard or alter parts that have numbers and sell the unnumbered, untraceable parts to repair shops—often at a sum equal to the cost of parts purchased from legitimate suppliers.

One reason for the growth of chop shops is that the profit is high and the risk is low.

A second reason is that there is high demand for parts. There is a steady demand for operating components and body assemblies to be used as replacements for original equipment that has failed or been damaged in collisions.

During the past few years, organized crime has recognized the tremendous profits that can be made operating chop shops. Key syndicate figures are involved in chop shop activities across the Nation.

Motor vehicle thefts and chop shop operations have become attractive business for “hard-core criminals” who are finding the crime to be highly profitable with comparatively little risk. A skilled chop shop offender, working with an assistant, can dismantle a motor vehicle in about 20 minutes. Once separated from the motor vehicle, many of the major components are not identifiable and can easily and profitably be reintroduced into the normal flow of commerce.

The escalation of chop shop operations during the past decade has placed a financial drain on the U.S. public, involving many millions of dollars in property losses, increased costs for law enforcement and rising insurance rates. Each year it is estimated that motor vehicle theft costs the American public over \$8 billion.

The proposed Model Motor Vehicle Chop Shop, Stolen and Altered Property Act specifies that owning, operating or conducting a chop shop is a criminal offense. The Act also provides that it is a crime to knowingly transport a motor vehicle or motor vehicle part to or from a location known to be a chop shop. Other offenses included within the coverage of this Act are altering or removing a vehicle identification number; selling or otherwise disposing of a motor vehicle or motor vehicle part having an altered or removed vehicle identification number; attempt; conspiracy; solicitation; aiding and abetting; and accessory after the fact.

The Act provides mandatory restitution, except as limited by constitutional due process, for all financial loss resulting from either offense under the Act or from any theft or fraud offense involving a motor vehicle or motor vehicle part.

Remedies and sanctions under the Act include injunctive relief, as well as civil actions for damages in three times the amount of actual damage (treble damages). The Act creates extended statutes of limitations for civil actions and expanded venue for prosecutions of criminal violations.

The Act authorizes the Attorney General to pay to the State law enforcement agencies Federal funds to be used to offer rewards to persons who provide assistance in detecting, bringing to trial and convicting persons guilty of violating State and Federal laws against vehicle theft and for violating provisions of this Act.

The proposed Model Motor Vehicle Chop Shop, Stolen and Altered Property Act will help control motor vehicle crime through enhanced criminal penalties and enhanced civil remedies that will also redress, in part, the losses sustained by the victims of motor vehicle thefts.

MODEL MOTOR VEHICLE CHOP SHOP, STOLEN AND ALTERED PROPERTY ACT

Section 1.

This Act shall be known as the Motor Vehicle Chop Shop, Stolen and Altered Property Act.

Section 2.

This Legislature finds and declares the following:

A. The annual number of reported motor vehicle thefts has exceeded 1 million. Approximately 50 percent of all larcenies reported to law enforcement authorities in the United States are directed against motor vehicles, motor vehicle accessories, or the contents of motor vehicles. The recovery rate of stolen motor vehicles has decreased significantly during the most recent decade.

B. Thefts of motor vehicles and the disposition of stolen motor vehicles and motor vehicle parts are becoming more professional in nature. Such theft and disposition activities have attracted criminal elements which have used intimidation and violence as a means of obtaining increased control of such activities. There is indication that criminal elements are using motor vehicle theft proceeds for other illicit activities.

C. The theft of motor vehicles has brought increased and unnecessary burdens to motor vehicle users and taxpayers, as the national financial cost of motor vehicle related theft offenses currently approaches \$8 billion annually.

D. Prosecutors should give increased emphasis to the prosecution of persons committing motor vehicle thefts, with particular emphasis given to professional motor vehicle theft operations and to persons engaged in the dismantling of stolen motor vehicle theft operations and to persons engaged in the dismantling of stolen motor vehicles for the purpose of trafficking in stolen motor vehicle parts.

E. Traditional law enforcement strategies and techniques that concentrate on bringing criminal penalties to bear on motor vehicle thieves but do not focus on chop shops that are heavily involved in the dismantling of stolen motor vehicles or the distribution of motor vehicle parts and that do not enlist the assistance of private enforcement and use civil sanctions, are inadequate to control motor vehicle theft, as well as related offenses. Comprehensive strategies must be formulated; more effective law enforcement techniques must be developed; evidentiary, procedural and substantive laws must be strengthened; and criminal penalties and civil sanctions must be enhanced.

The Legislature therefore concludes that for the protection of the general public interest, the Motor Vehicle Chop Shop, Stolen and Altered Property Act shall be enacted.

Section 3.

As used in this Act, the following terms shall mean:

A. "Chop Shop" means any building, lot or other premise where one or more persons knowingly have engaged or are engaged in altering, concealing, destroying, disassembling, dismantling, reassembling, or storing any motor vehicle, or motor vehicle part known by such person to have been obtained by theft, fraud or conspiracy to defraud, in order to either:

(1) alter, counterfeit, deface, destroy, disguise, falsify, forge, obliterate, or remove the identity, including the vehicle identification number of such motor vehicle or motor vehicle part, or

(2) sell or dispose of such motor vehicle or motor vehicle part.

B. "Motor vehicle" includes every device in, upon, or by which any person or property is or may be transported or drawn upon a highway which is self-propelled or which may be connected to an towed by a self-propelled device, and also includes any and all other land-based devices which are self-propelled but which are not designed for use upon a highway, including but not limited to, farm machinery and construction equipment.

C. "Person" includes a natural person, company, corporation, unincorporated association, partnership, professional corporation, and any other legal entity.

D. "Unidentifiable" means that the uniqueness of a motor vehicle or motor vehicle part cannot be established by either expert law enforcement investigative personnel specially trained and experienced in motor vehicle theft investigative procedures and motor vehicle identification examination techniques, or by expert employees of not-for-profit motor vehicle theft prevention agencies specially trained and experienced in motor vehicle theft investigation procedures and motor vehicle identification examination techniques.

E. "Vehicle identification number" means a number or numbers, a letter or letters, a character or characters, a datum or data, a derivative or derivatives, or a combination or combinations thereof, used by the manufacturer (or the department

of motor vehicles) for the purpose of uniquely identifying a motor vehicle or motor vehicle part. The term shall include, but not be limited to, a number or numbers, a letter or letters, a character or characters, a datum or data, a derivative or derivatives, or a combination or combinations thereof.

Section 4.

A. Any person who knowingly:

- (1) owns, operates, or conducts a chop shop; or
- (2) transports any motor vehicle or motor vehicle part to or from a location knowing it to be a chop shop, upon conviction, is guilty of a felony, punishable by imprisonment for not more than 10 years, or by a fine of not more than \$100,000, or both.

B. Any person who knowingly alters, counterfeits, defaces, destroys, disguises, falsifies, forges, obliterates, or removes a vehicle identification number, with the intent to misrepresent the identity or prevent the identification of a motor vehicle or motor vehicle part, upon conviction is guilty of a felony, punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both.

C. (1) Any person who buys, disposes, sells, or transfers a motor vehicle or motor vehicle part, with knowledge that the vehicle identification number of the motor vehicle or motor vehicle part has been intentionally altered, counterfeited, defaced, destroyed, disguised, falsified, forged, obliterated, or removed for the purpose of misrepresenting the identity or preventing the identification of the part, upon conviction is guilty of a felony, punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both.

(2) The provisions of section 4C(1) shall not apply to a motor vehicle scrap processor who, in the normal legal course of business and in good faith, processes a motor vehicle or motor vehicle part by crushing, compacting, or other similar methods, provided that any vehicle identification number is not intentionally removed from the motor vehicle or motor vehicle part prior to or during any such process.

(3) The provisions of 4C(1) shall not apply to any owner or authorized possessor of a motor vehicle or motor vehicle part which has been recovered by law enforcement authorities after having been stolen or where the condition of the vehicle identification number of the motor vehicle or motor vehicle part is known to or has been reported to law enforcement authorities. It shall be presumed that law enforcement authorities have knowledge of all vehicle identification numbers on a motor vehicle or motor vehicle part which are altered, counterfeited, defaced, disguised, falsified, forged, obliterated, or removed, when the law enforcement authorities deliver or return the motor vehicle or motor vehicle part to its owner or authorized possessor after it has been recovered by the law enforcement authorities after having been reported stolen.

D. A person commits an attempt when, with intent to commit an offense proscribed by section 4A, 4B or 4C he or she does any act which constitutes a substantial step toward the commission of the offense proscribed by section 4A, 4B or 4C, be committed, he or she agrees with another to the commission of the offense proscribed by section 4A, 4B or 4C, and upon conviction is guilty of a felony, punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both. No person may be convicted of conspiracy under this section unless an act in furtherance of such agreement is alleged and proved to have been committed by him or her or a co-conspirator.

E. A person commits conspiracy when, with an intent that an offense proscribed by Section 4A, 4B or 4C be committed, he or she agrees with another to the commission of the offense proscribed by Section 4A, 4B or 4C, and upon conviction is guilty of a felony, punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both. No person may be convicted of conspiracy under this Section unless an act in furtherance of such agreement is alleged and proved to have been committed by him or her or a co-conspirator.

F. A person commits solicitation when, with intent that an offense proscribed by section 4A, 4B or 4C be committed, he or she commands, encourages, or requests another to commit the offense proscribed by section 4A, 4B or 4C, and upon conviction is guilty of a felony, punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both.

G. A person commits aiding and abetting when, either before or during the commission of an offense proscribed by section 4A, 4B or 4C, with the intent to promote or facilitate such commission, he or she aids, abets, agrees or attempts to aid another in the planning or commission of the offense proscribed by section 4A, 4B or 4C, and upon conviction is guilty of a felony, punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both.

H. A person is an accessory after the fact who maintains, assists, or gives any other aid to an offender while knowing or having reasonable grounds to believe the

offender to have committed an offense under section 4A, 4B, 4C, 4D, 4E, 4F or 4G, where the offender is not in a relation of husband, wife, parent, child, brother or sister to the person, and upon conviction is guilty of a felony punishable by imprisonment for not more than — years, or by a fine of not more than \$—, or both.

I. No prosecution shall be brought, and no person shall be convicted, of any offense under section 4, where acts of the person, otherwise constituting an offense, were done in good faith in order to comply with the laws or regulations of any State or territory of the United States, or of the Federal Government of the United States.

J. The sentence imposed upon a person convicted of any offense under this section shall not be reduced to less than 3 years imprisonment for a second conviction of any offense under this section, or less than 5 years for a third or subsequent conviction of any offense under this section, and no sentence imposed upon a person for a second or subsequent conviction of any offense under this section shall be suspended, or reduced, until such person shall have served the minimum period of imprisonment provided for herein. A person convicted of a second or subsequent offense under this section shall not be eligible for probation, parole, furlough or work release.

K. (1) In addition to any other punishment, a person who violates this section, shall be ordered to make restitution to the lawful owner or owners of the stolen motor vehicle or vehicles or the stolen motor vehicle part or parts, or to the owner's insurer, to the extent that the owner has been compensated by the insurer, and to any other person for any financial loss sustained as a result of an offense under this section, or any theft or fraud involving any motor vehicle or motor vehicle part. Financial loss shall include, but not be limited to, loss of earnings, out-of-pocket and other expenses, repair and replacement costs and claims payments. Lawful owner shall include an innocent bona fide purchaser for value of a stolen motor vehicle or stolen motor vehicle part who does not know that the motor vehicle or part is stolen; or an insurer to the extent that such insurer has compensated a bona fide purchaser for value.

(2) The court shall determine the extent and method of restitution. In an extraordinary case, the court may determine that the best interests of the victim and justice would not be served by ordering restitution. In any such case, the court shall make and enter specific written findings on the record concerning the extraordinary circumstances presented which militated against restitution.

Section 5.

A. The Attorney General, any State's Attorney, or any aggrieved person may institute civil proceedings against the person in any court of competent jurisdiction seeking relief from conduct constituting a violation of any provision of this Act. If the plaintiff in such a proceeding proves the alleged violation, or its threat, by a preponderance of the evidence, any court of competent jurisdiction after due provision for the rights of innocent persons, shall grant relief by entering any appropriate order or judgment, including, but not limited to:

(1) ordering any defendant to divest himself or herself of any interest in any property;

(2) imposing reasonable restrictions upon the future activities or investments of any defendant, including prohibiting any defendant from engaging in the same type of endeavor as he or she was engaged in violation of this Act;

(3) ordering the suspension or revocation of a license, permit, or prior approval granted by any agency of the State or any other public authority; or

(4) ordering the surrender of the charter of a corporation organized under the laws of the State or the revocation of a certificate authorizing a foreign corporation to conduct business within the State upon finding that the board of directors or a managerial agent acting on behalf of the corporation, in conducting the affairs of the corporation, has authorized or engaged in conduct made unlawful by this Act and that, for the prevention of future criminal conduct, the public interest requires the charter of the corporation be surrendered and the corporation dissolved or the certificate revoked.

B. In a proceeding initiated under this section, injunctive relief shall be granted in conformity with the principles that govern the granting of relief from injury or threatened injury in other cases, but no showing of special or irreparable injury shall have to be made. Pending final determination of a proceeding initiated under this section, a temporary restraining order or a preliminary injunction may be issued upon a showing of immediate danger of significant injury, including the possibility that any judgment for money damages might be difficult to execute, and, in a proceeding initiated by an aggrieved person, upon the execution of proper bond against injury for an injunction improvidently granted.

C. Any person, directly, or indirectly, injured by conduct constituting a violation by any person of the provisions of this Act shall, in addition to any other relief under this Act, have a cause of action for threefold the actual damages and all legal and court costs sustained.

D. A final judgment or decree rendered against the defendant in any civil or criminal proceeding under this Act shall estop the defendant in any subsequent civil action or proceeding brought by any person as to all matters as to which the judgment or decree would be an estoppel as between the parties to the civil or criminal proceeding.

E. Notwithstanding any other provision of law providing a shorter period of limitations, a civil action under this section may be commenced at any time within 5 years after the conduct made unlawful under this Act terminates or the cause of action accrues or within any longer statutory period that may be applicable. If any action is brought by the State to punish, prevent or restrain any activity made unlawful under this Act, the running of the period of limitations prescribed by this section shall be suspended during the pendency of such action and for 2 years following its termination.

F. Personal service of any process in any action under this section may be made upon any person outside the State if the person has engaged in any conduct constituting a violation of this Act in this State. The person shall be deemed to have thereby submitted to the jurisdiction of the courts of this State for the purposes of this section.

G. The application of any civil remedy under this section shall not preclude the application of any other civil or criminal remedy under the Act or any other provision of law. Civil remedies under this section are supplemental and not mutually exclusive.

Section 6.

A criminal prosecution for any violation of this Act may be commenced in any county in this State, without regard to place of occurrence.

Section 7.

In addition to the power of the Attorney General or any State's attorney to institute civil proceedings under section 5 of this Act, the Attorney General or any State's attorney is empowered to institute criminal prosecutions for violation of this Act in any court of competent jurisdiction in this State.

Section 8.

If any Section, clause, sentence, paragraph or part of this Act is for any reason adjudged by any court of competent jurisdiction to be invalid, such judgment will not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the section, clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Section 9.

A. The U.S. Attorney General, under prescribed regulations is authorized to grant to State Attorneys General or other State law enforcement agencies, such sums, not exceeding in the aggregate of the sums appropriated therefor, as he may deem necessary for detecting and bringing to trial and convicting persons guilty of violating the State and Federal laws against the theft of motor vehicles or motor vehicle parts or any of the provisions of this Act.

B. Whenever a State or local law enforcement agency provides information to the U.S. Attorney General that substantially contributes to the successful Federal prosecution for theft of motor vehicles or motor vehicle parts, such agency may be reimbursed by the Attorney General for costs incurred in such investigation or operation (including, but not limited to reasonable expenses, per diem salaries and overtime), not to exceed 10 percent of the value of the motor vehicle or motor vehicle parts as established by the Attorney General.

Section 10.

A trust account shall be established into which shall be deposited fines and forfeitures of moneys and property of persons convicted of violating Federal laws for theft of motor vehicles or motor vehicle parts. This trust account shall be exclusively devoted to the payment of rewards and grants provided for under Section 9A of this Act and supplemented as necessary by additional appropriations by the U.S. Congress.

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